



E-commerce development
and its influence on real estate market

Introduction

E-commerce (Internet shopping) development
after Russian invasion and Covid-19

Part of thesis on Real Estate Valuation
postgraduate studies at SGH

How unpredictable
events rule our
lives

Unexpected
changes are
associated with
insecurity, fear of
the unknown
Nassim Nicholas
Taleb calls them
"Black Swans".

Source: Taleb Nassim Nicholas, "Black
Swan. How unpredictable events rule our
lives". Zysk I S-ka Publishing House,
Poznań, 2020



"Black Swans don't have to do irreversible damage - they may even be beneficial."

The content of my presentation will be the proofs of assumption that "Black Swans" do not necessarily mean a catastrophe for a humankind

The same crises can be a chance for his development.



Agenda

- **CHANGES IN MACROECONOMIC ENVIRONMENT**
 - Disaster curve
 - VUCA World
 - GDP per Capita
 - Russian invasion / COVID-19 impact on human world
- **E-COMMERCE DEVELOPMENT**
 - Research results
 - ESG trends
 - Nearshoring
 - Omnichannel
- **DUE DILIGENCE**

Changes in Macroeconomic Environment



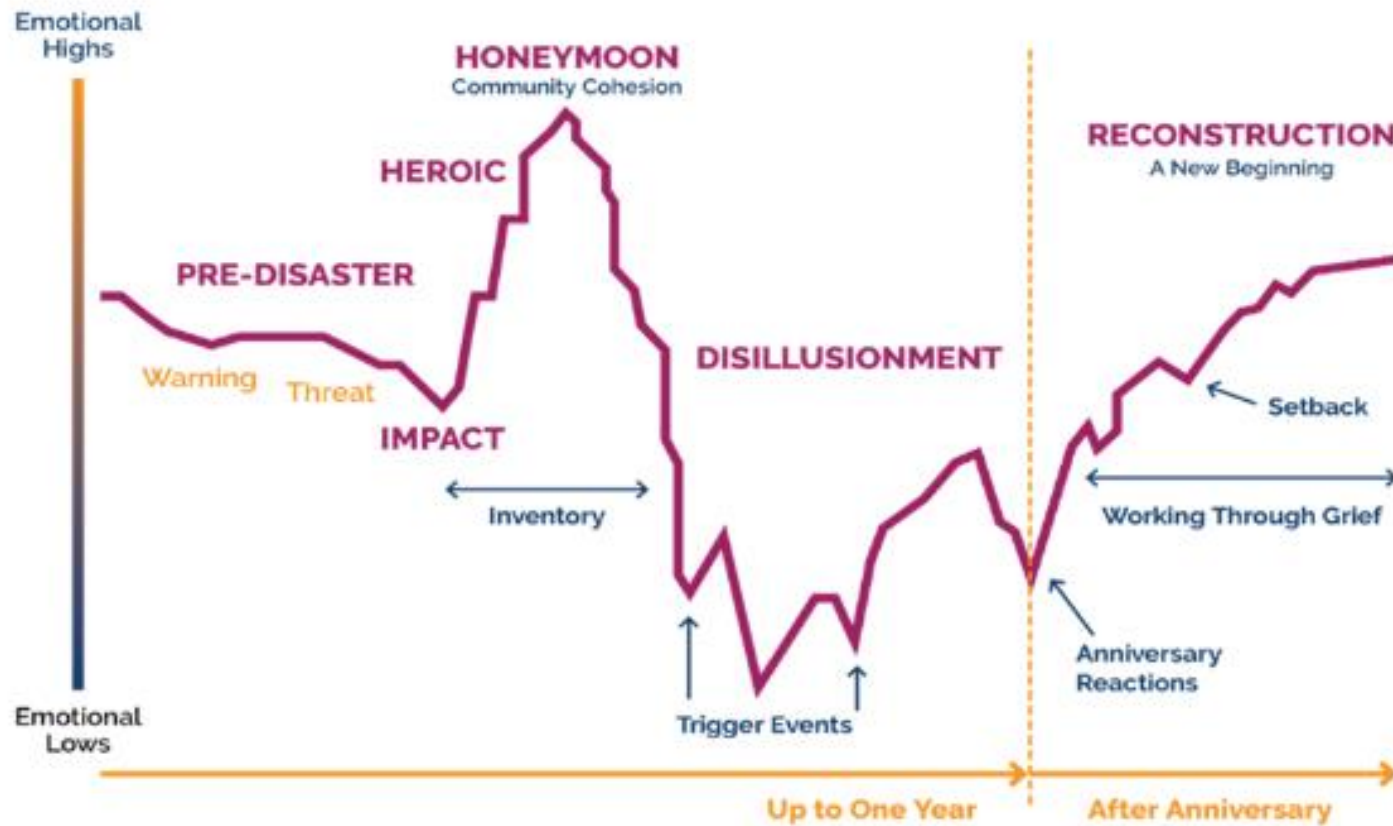
Changes in
macroeconomic
environment

What a crisis is?

Possibilities of dealing with
situations of uncertainty?



Disaster curve



Source: <https://www.mddp.pl/mddp-i-osborne-clarke-dla-ukrainy-i-cykl-bezplatnych-webinarow-dla-firm/>

Disaster curve

Disaster
curve –
6 phases

1. Pre-disaster phase
2. Impact phase
3. Heroic phase
4. Honeymoon phase
5. Disillusionment phase
6. Reconstruction phase

Impact of Russian invasion on Ukraine in Poland

- Reaction of financial markets on stock exchanges
- Companies with a strong exposure to eastern markets suffered the most
- Decrease in exchange rates (Ruble)
- Constant contact between Poland and the USA in the field of energy, oil and fuel supplies. Poland was safe because we did not wait for the crisis related to the Russian-Ukrainian war with diversification.
- Withdrawal of business activities from the Russian market of such companies as: Accerol Mittal, HBC-Coca Cola, CCC.
- Rising prices of raw materials and food (Russia and Ukraine are the main exporters).
- Huge uncertainty in the economic market

Humankind behaviour

- Everyone is involved in helping Ukraine - the authorities, companies and individuals
- Many entrepreneurs implement support programs for employees who come from Ukraine or have families in the war-torn area
- Make material or cash donations
- Offer their services free of charge
- Increase the employment of people from Ukraine
- Legalization of further stay in Poland

VUCA world

- VUCA acronym:
- Volatility, Uncertainty, Complexity, Ambiguity
- "It was invented by the American army to describe the specificity of reality during the war. Soldiers have goals, but they cannot plan long term. They cannot predict what will happen. It is important that they are able to carefully observe the current situation and react accordingly (...)
- For several years, this term has also been used in business and in the area of personal development"

• Source: A. Piątkowska, "Leadership in the world of VUCA. How to be an effective leader in an uncertain environment", 2021, Onepress Publishing House, p. 33.

VUCA world

- It's worth asking yourself a few questions:
 - Are you prepared to take on a VUCA world?
 - Do you see yourself as a transformational leader?
 - Do you focus on innovative ways to solve problems?
 - Are you able to bring calm to the storm during difficult times?
 - Are you prepared to show up for your team and collaborate in an authentic and vulnerable way?

How to transform VUCA world?

- Volatility leads to Versatility
- Uncertainty leaves room for Understanding
- Complexity leads to Collaboration
- Ambiguity creates Awareness



“(...)And yes, modern approaches to measuring development in the world already exist. There is talk not only about the economy, but also about "variables that create individual wealth in the world.”

prof. dr hab. E.
Mączynska

Measurement factors of development

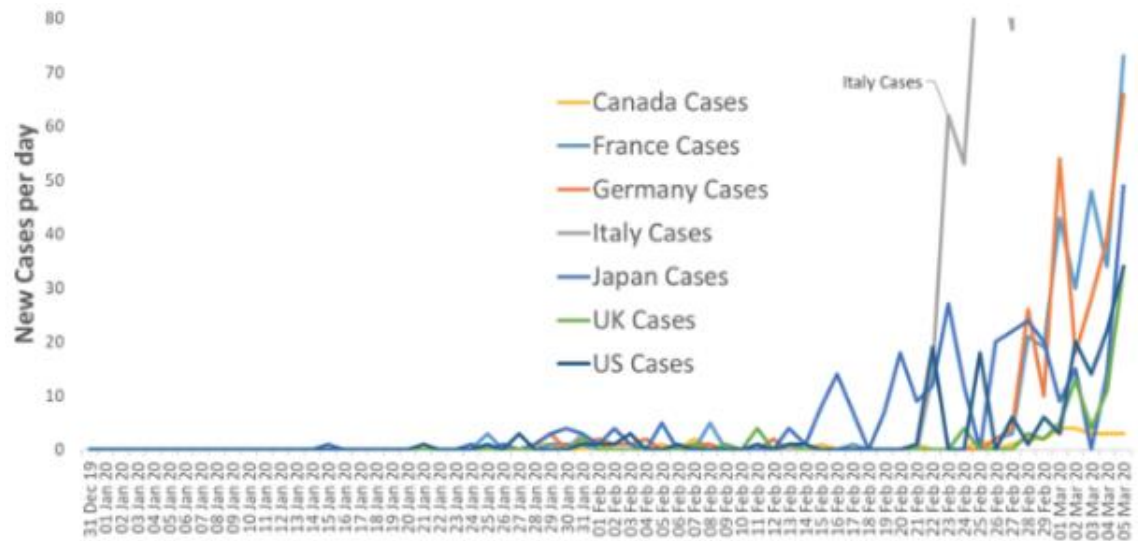
- Psychological factors
 - Level of health and its care
 - IQ
 - Individual safety
 - Aspects of social responsibility
 - Modern technologies
- Relationship between the level of IQ and the level of GDP per capita - a term coined by psychologists and scientists R. Lynn, T. Vanhanen, assessing the level of economic development of a country and the average standard of living of the population.
 - Sources: Rzeszutek, M. Danielewicz, interview with prof. E. Mączynska, in Obserwator Finansowy.pl, “Economic trends. GDP should be a means, not an end”, <https://www.obserwatorfinansowy.pl/tematyka/makroekonomia/trendy-gospodarcze/pkb-powinien-byc-srodkiem-a-nie-celem>.
 - K. Opolski, T. Potocki, "Ways of measuring the wealth of nations in the face of the changing economic and social environment of the world", Financial Internet Quarterly "e-Finanse" 2010, vol. 6, no. 3, official website, www.e-finanse.com, University of Information Technology and Management in Rzeszów.

Covid-19 pandemic impact

Facts about Covid-19 results:

- China was the first country to be hit by COVID-19
- Country found itself in a new development environment
- Since it has become one of the most important exporters of intermediate industrial goods in recent decades

Weekly Covid-19 cases



Source: World Health Organization, European Center for Disease Prevention and Control, Global research, Weekly COVID-19 country overview (europa.eu)

Covid-19 pandemic impact

- The process of moving production closer to markets
- Japan and India are already introducing mechanisms to support the relocation of production outside
- Companies are likely to return to stockpiling to produce despite supply disruptions

Moving the world to Internet

- Visible trends of moving to the world of Internet
- Futuristic vision of the world: biotechnology, artificial intelligence and digital transformation, through virtual reality and the metaverse to robotics, cyborgization, the Internet of Things
- Asks important questions about what these phenomena tell us about the modern world
- Can advanced technology replace humanity in its many dimensions?



Source: Yuval Noah Harari, "21 Lessons for the 21st Century", Wydawnictwo Literackie, 2018, transl. M. Romanek.

E-commerce development

- Inevitably affects people's behavior, and thus on Internet trade
- Progress and development of e-commerce results in the demand for warehouse real estate

Next to that this impacts the latter on the forecasts for the large format space market.

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E-commerce development



E-commerce development

- The popularity of shopping via Internet (e-commerce) is growing year by year
- GEMIUS online research shows what factors motivate online shopping, what negative aspects of online shopping are noticed by respondents, and how the war and COVID-19 influenced the increase in e-sales rates

Main motivators for online shopping

- 24/7 availability
- No need to drive to shops
- Unlimited time to choose the product you are looking for
- Often a more attractive price compared to traditional stores
- Growing popularity of delivery via parcel lockers
- Flexible approach of stores in the form of delivery options for home purchases with bringing in
- Possibility of a quick transfer via the payment service, using modern payment methods - BLIK, traditional transfers
- Discounts and discount codes
- Positive opinions about the store / product as a source of information about the credibility of the product
- Increased interest in online pharmacies
- Personalized promotions

Negative aspects of buying online

- Burdensome complaints
- Non-intuitive completion of forms on some sellers' websites
- Pages not adapted to mobile devices;
- In an increasing group of products, the need to increase the letters
- Increases with the age of the respondents
- No possibility of physical contact with the product
- Security of payments and guarantees
- Intrusiveness of advertisements of previously viewed products
- Long waiting for the delivery of products
- Damaged shipments

Moving shopping to online

- The vast majority of respondents moved their shopping online for the following reasons:
 - "this is faster"
 - online stores are always available regardless of the pandemic situation
 - "this is cheaper"
 - "it's safer this way"
 - due to a change in work style - he works from home
- In retrospect, we estimate that due to COVID-19, we buy more often online because it is cheaper, easier and faster.

Development of the large- format real estate market

- Development of large-area warehouses
- Expectations of customers throwing products into virtual shopping carts
- Willingness of entrepreneurs to meet them requires, among other things, good logistics
- Intelligently designed and well-located e-commerce warehouse is the basis for a thriving e-shop
- Properly selected warehouse space gives the opportunity to conveniently achieve business goals and company growth

Demand for warehouse space

- Demand for warehouse space is breaking popularity records
 - Already 3 out of 4 tenants plan to expand their supply chains and occupy more of this type of space
 - Importantly, they are looking for places not only in the best locations, but also consider other options
- The CBRE report "European Logistics Occupier Survey 2022" shows that up to 54% of enterprises made such a decision.

IKEA example

- IKEA, as one of the largest furniture suppliers in Poland, has automated its warehouses by implementing second-generation robots
- FM Logistics warehouse, the main tenant of IKEA, that for the first time in Poland, 46 assisting robots from the American company Locus Robotics were used
- Automatic sorters that scan products by QR codes
- Automation of processes is also associated with greater work safety

• Source: "Ikea and FM Logistic are entering a higher level of e-commerce service", the PropertyNews.pl website, article dated 13.02.2023, https://www.propertynews.pl/centra-handlowe/ikea-i-fm-logistic-goes-to-a-high-level-e-commerce-service,120981.html?utm_source=newsletter&utm_medium=email&utm_campaign=propertynews.pl.

Omnichannel

- Blurring of the line between online and offline shopping
- Series of integrated solutions and sales channels that allow the seller to interact with the customer
- Improvement of customer experience
- eobuwie.pl online platform as example,
- Making possible both online and stationary purchases by delivering the order to the headquarters of a given location, choose the size, try on shoes or clothes and exchange them on the spot

Nearshoring

Trend related to the popularity of the so-called **nearshoring**, i.e. **outsourcing of trade and services to countries close to a given company**

“Customers are looking for opportunities to develop their businesses in Europe, be closer to consumers, eliminate the risk of importing goods or components from further corners of the world. The pandemic had a strong impact on the disruption of supply chains and significantly increased transport costs. Within 5 years, the cost of a container from Shanghai to European ports has increased from less than USD 2,000 to over USD 10,000! The choice of the country where the business will be relocated also depends on where the tenants have their markets. Not without significance is the fact of competition for employees, which means that amenities such as a canteen or good transport links are necessary.”

Source: "The warehouse market in Poland still has great potential", Parkie online, article from 25.09.2022, <https://www.parkiet.com/budownictwo/art37116781-market-magazynow-in-poland-has-still-huge-potential>.

Green technologies

- Sustainable development policy
- Savings on bills for more and more expensive utilities
- Buildings created in modern, "green" technologies age slower, which translates into lower operating costs of these facilities



ESG

(Environmental,
Social and
Corporate
Governance)

Awareness of the impact of a given facility on the environment and the environment on a micro and macro scale is becoming one of the main factors important in the process of making business decisions by companies as well as conducting their current operations, and modern technologies are particularly helpful in the area of environmental protection. They allow to achieve measurable savings in operating costs and reduce the carbon footprint of the building.

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Due
diligence



Due diligence as a phase preceding property valuation

- The term “due diligence” (DD) means conducting a study (investigation) with due diligence.
- Element preceding the execution of strategic capital transactions
- Tool enabling the identification of risks associated with transactions
- Identification of potential synergies
- Sign of investors' prudence



Due diligence aspects

- General economy and market
- Financial
- Legal
- Tax limited
- Technical
- Organizational
- Human Resources Management
- Psychological
- Informational



Research methods

- The research methods I used, include my own analyzes and observations on the development of e-commerce, analysis of NBP (Polish National Bank) and GUS reports, industry literature, analysis of large number of reports, published by major market players (CBRE, JLL, Cushman, Panattoni), large-area of articles on popular financial portal with news, such as Property News, Parkiet, Money, Obserwator Finansowy, Inwestor Real Estate Expert periodic, etc.

Thank you

