

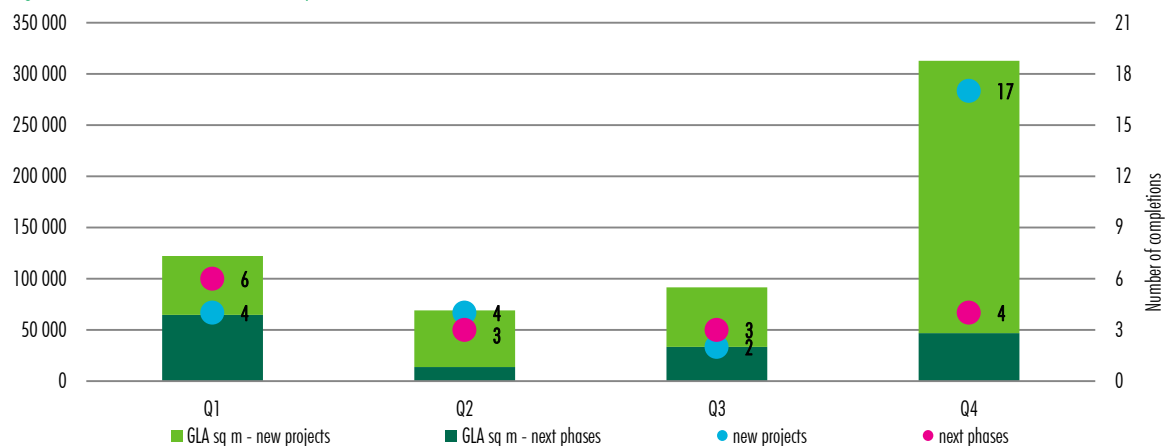
Poland Retail, Q4 2015

Proven locations at the centre of attention, tough year for new players

▲ **Completions** 308,200 sq m sq m GLA
 ▲ **Total stock** 10.86 million sq m GLA
 ▼ **Under Construction** 612,750 sq m GLA
 ▲ **Retail density** 282 sq m /1,000 inhabitants

*Arrows indicate change from previous quarter.

Figure 1. Retail stock and number of completions in 2015



Source: CBRE Research, Q4 2015

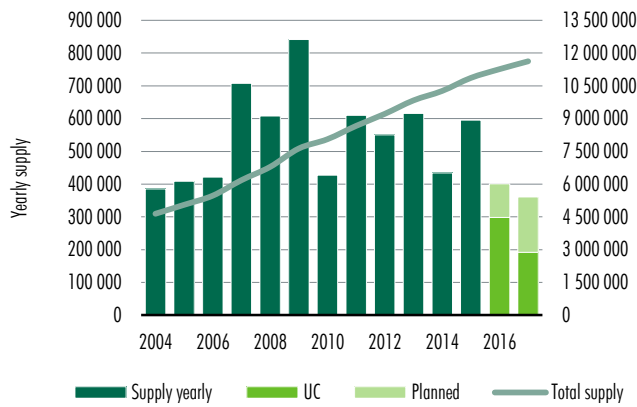
- The amount of stock currently under construction and planned with a Building Permit, expected to open in 2016 is almost 50% lower than the comparable figure for completions in 2015.
- A substantial wave of new supply may, however, appear in the second half of the year as there is over 93,000 sq m GLA in an early planning stage.
- In 2015 there were around 20 new entries of international retailers to the Polish market, including Arior Barcelona, Benihana, Courir, Decimas, Kiabi, Origins, Patisserie Paul and Superdry.
- The changing political conditions have had a knock-on effect on Poland's retail market sentiment. Tenants are more likely to choose well established locations over new shopping centres and new brands are more cautious in entering the market.

Figure 2. Market summary

Summary	
Number of inhabitants	38,478,600*
Purchasing power per inhabitant (yearly)	6,170 €**
Total stock	10,858,000 sq m
2015 completions	591,260 sq m
Space under construction (total)	612,750 sq m
Space planned with building permit (total)	440,700 sq m
Expected retail density in Q4 2016	c.a. 293 sq m /1,000 inhabitants

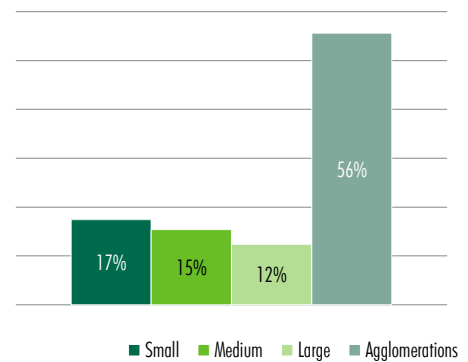
Source: CBRE Research, Q4 2015; *GUS, 31 XII 2014; **GfK 2014

Figure 3. Shopping centre pipeline in Poland



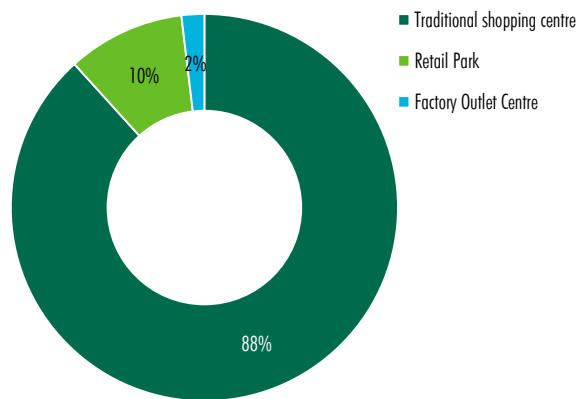
Source: CBRE Research, Q4 2015

Figure 4. Proportion of stock in Poland by city size



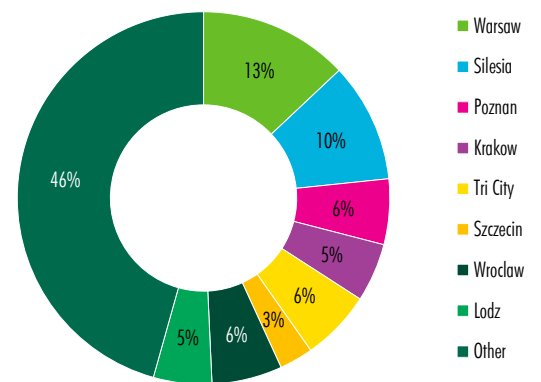
Source: CBRE Research, Q4 2015

Figure 5. Modern retail space in Poland divided by formats



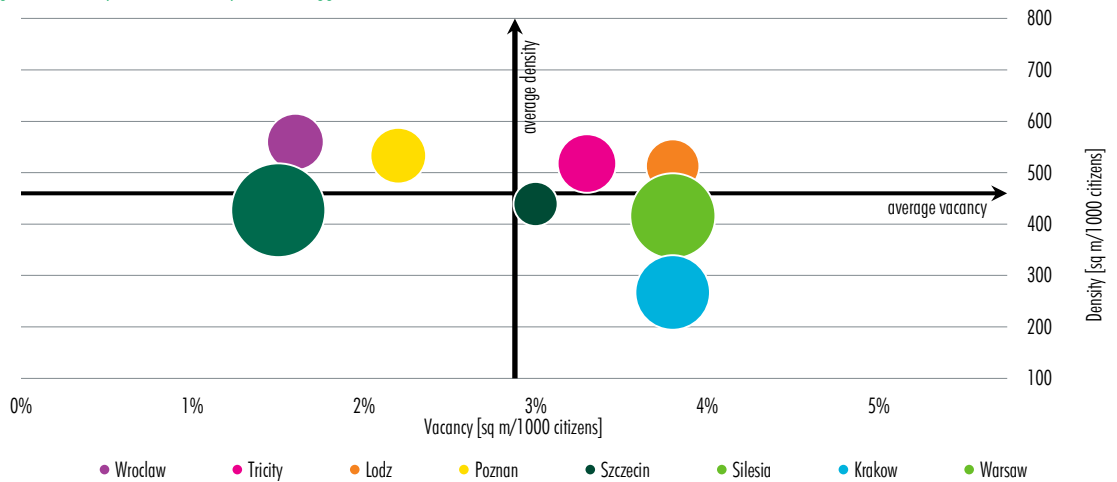
Source: CBRE Research, Q4 2015

Figure 6. Stock allocation in Polish agglomerations



Source: CBRE Research, Q4 2015

Figure 7. Vacancy* vs retail density in Polish agglomerations



Source: CBRE Research, Q4 2015, *PRRF, H2 2015

**The area of a circle indicates the number of inhabitants in agglomeration

Supply

In 2015 Poland's total retail floorspace increased to 10.86 million sq m. The new developments included 27 new projects and 16 extensions, enriching the market by almost 591,300 sq m of new space, which is almost 40% more than in 2014.

Around 612,750 sq m of retail space is currently under construction, with almost 50% of this expected to be completed in 2016. There is also around 102,000 sq m of space planned with a Building Permit, that is scheduled for 2016. The supply in 2016 is expected to be lower by about 30% than in 2015, taking into consideration only those projects under construction and those at an advanced stage of preparation.

Trends

Almost 20 new international retailers entered the Polish market in 2015, reflecting a similar level to that recorded in 2014, most of them choosing Warsaw as their first location. In 2016 tenants are expected to favour well established locations over new shopping centres, whilst new brands may be more conservative in entering the market.

Figure 8. Selected new brands in Poland in 2015

Country of origin	Retailer name	Retailer sector	City of entry
Spain	Arior Barcelona	Accessories & jewellery	Warsaw
USA	Origins	Health & beauty	Warsaw
France	Kiabi	Fashion	Warsaw
UK	Superdry	Fashion	Warsaw
Spain	Decimas	Fashion - sport	Warsaw
France	Patisserie Paul	Gastronomy	Warsaw

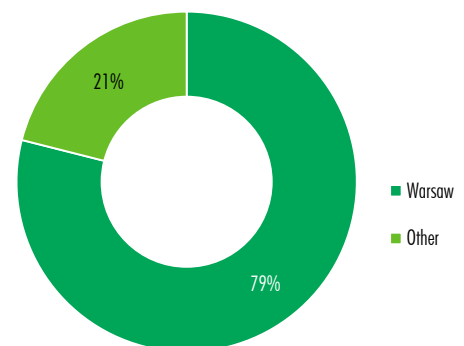
Source: CBRE Research, Q4 2015

This short-term tendency did not prevent international retailers from announcing their expansion plans in Poland, among them Pronovias (expected to open their first Polish store in Q1 2016) and Forever 21 (expected to enter the market in 2017).

Some visible signs of market slowdown are connected with recent political changes in Poland. The biggest concerns are linked to currency fluctuation, and the tax on large-format shopping facilities, based on turnover. The requirement for integration of e-commerce with traditional retail has become one of the most important challenges to shopping centre owners and managers. The concern is not only how to avoid showrooming along with a consequent footfall and turnover decrease, but how to take advantage of the new consumer behaviour, known as 'webrooming'.

There are strong reasons to be optimistic about the coming years - mixed use schemes with retail on lower floors are becoming more and more popular, which may lead to a high street revival. In addition, department stores may shortly become the new retail format on the market creating a more diverse and developed retail offer.

Figure 9. International retailers in Poland by the city of first location



Source: CBRE Research, Q4 2015

Rents

Market uncertainty following the political changes in Poland has resulted in increased interest in shopping centres with well established market positions, satisfactory revenues and high footfall. Well-known schemes with long trading tradition have become the centre of attention.

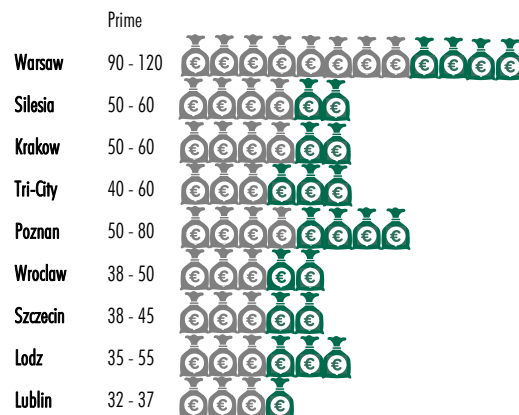
Rental levels and the length of negotiations in respect of the best locations has not changed and rents are stable for new shopping schemes, however the negotiation process has become much longer for poorer located schemes. As a result, only a few new shopping centres are fully let on the day of opening.

Vacancy

It seems that tenants are not only choosing well-established schemes, but they are back in the agglomerations. The average vacancy ratio in the agglomerations was recorded at the level of 2.7% at the end of 2015 and was slightly lower than observed in the previous half of the year (by 0.2 pp.).

A higher rate (4.3% comparing to 4.0% in H1 2015) was recorded for cities with 200,000-399,000 inhabitants. At year-end 2015 the highest vacancy levels were in Bydgoszcz (6.0%), Radom (5.7%) and Toruń (5.2%), while the lowest were in Warsaw (1.5%) and in Wrocław (1.6%).

Figure 10. Polish shopping centre prime rents (EUR/sq m/month)



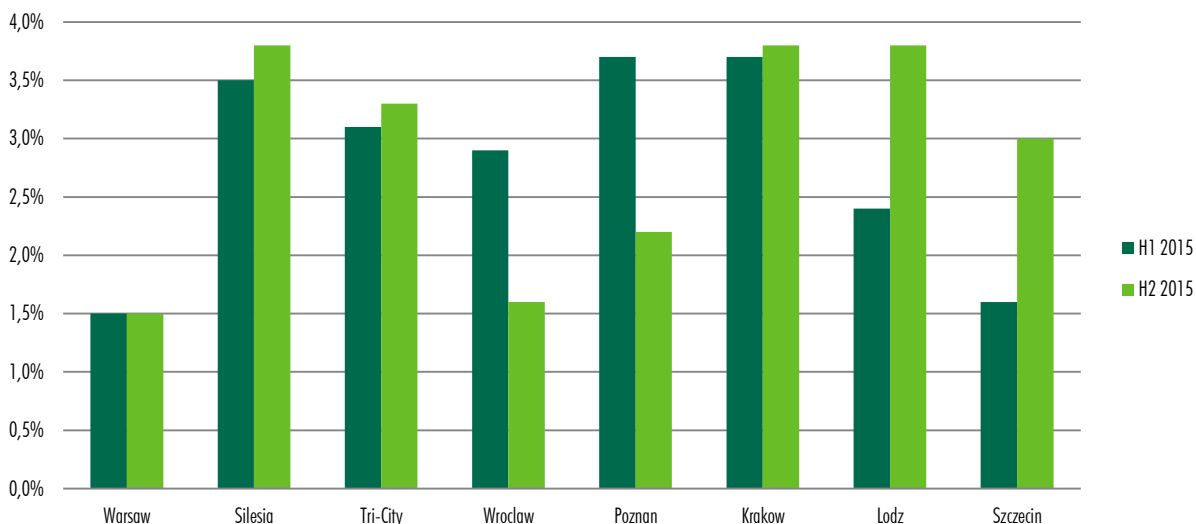
Source: CBRE Research, Q4 2015

Figure 11. Polish shopping centre average rents (EUR/sq m/month)



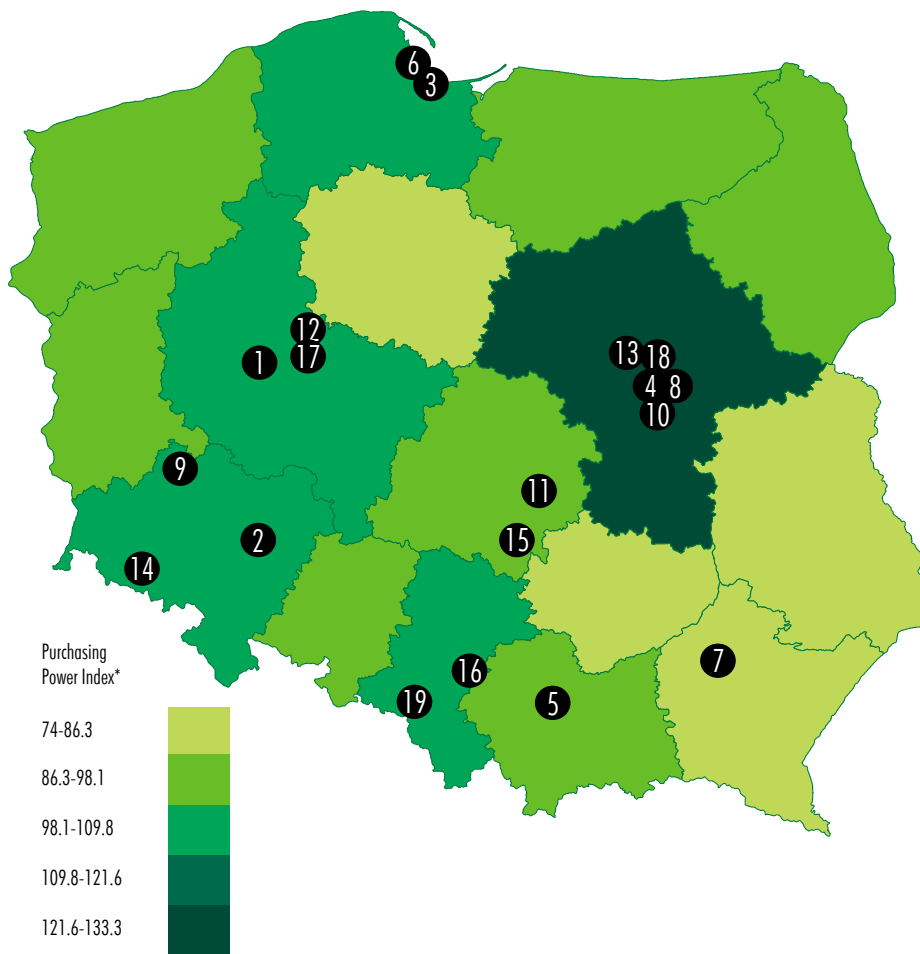
Source: CBRE Research, Q4 2015

Figure 12. Vacancy level in Poland in 2015 (%)



Source: CBRE/PRRF 2015

Figure 13. Most significant Polish retail schemes under construction in Q4 2015



Source: CBRE Research, Q4 2015, *GfK, 2014

	Name	City
1	Posnania	Poznan
2	Wroclavia	Wroclaw
3	Forum Gdansk	Gdansk
4	Galeria Polnocna	Warszawa
5	Serenada	Krakow
6	Galeria Metropolia	Gdansk
7	Galeria Aviator	Mielec
8	Galeria Wolomin	Wolomin
9	Galeria Glogovia	Glogow
10	Koneser (mixed use)	Warszawa
11	Galeria Tomaszow	Tomaszow Mazowiecki
12	Galeria Winiary	Gniezno
13	Centrum Handlowe HIT	Nowy Dwor Mazowiecki
14	Galeria Sudecka - Echo extension	Jelenia Gora
15	Galeria Radomsko	Radomsko
16	Quick Park Myslowice	Myslowice
17	Karuzela Wrzesnia	Wrzesnia
18	Galeria Legionowo	Legionowo
19	Stara Kopalnia	Wodzislaw Slaski

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