RETAIL RESEARCH FORUM

Polska Rada Centrów Handlowych
Polish Council of Shopping Centres

REPORT Q4 2009

Bonarka City Center, Kraków

CUSHMAN & WAKEFIELD · DTZ · GENI · JONES LANG LASALLE

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Content

Report Q4.2009 Retail Research Forum

The report was prepared and submitted on behalf of the Polish Council of Shopping Centers (PRCH), III.2010.

Photos of the shopping centers used with permission. Thanks to: Bonarka Management Sp. z o.o., TK Development, Global Trade Centre S.A., Inter IKEA Centre Polska S.A., Budizol Property Sp. z o.o. and Keen Property Partners Retail.

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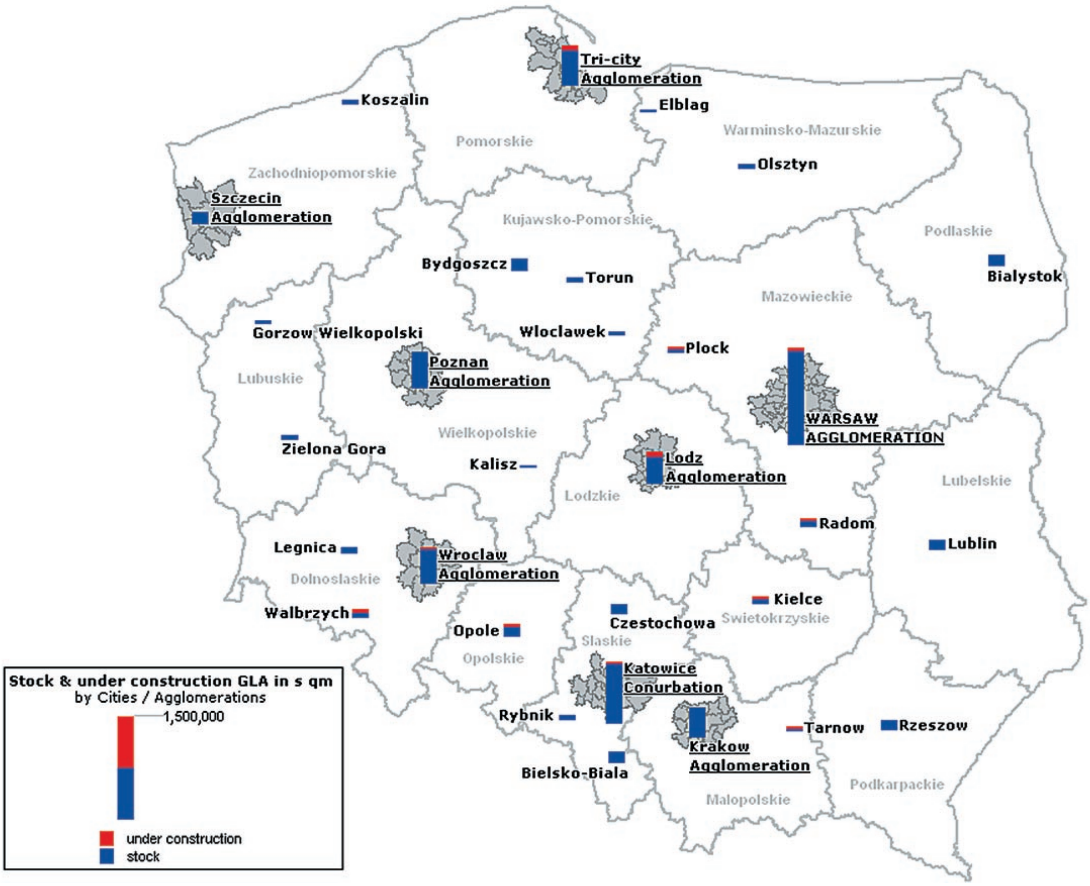
1. Supply of modern shopping centre space in Poland

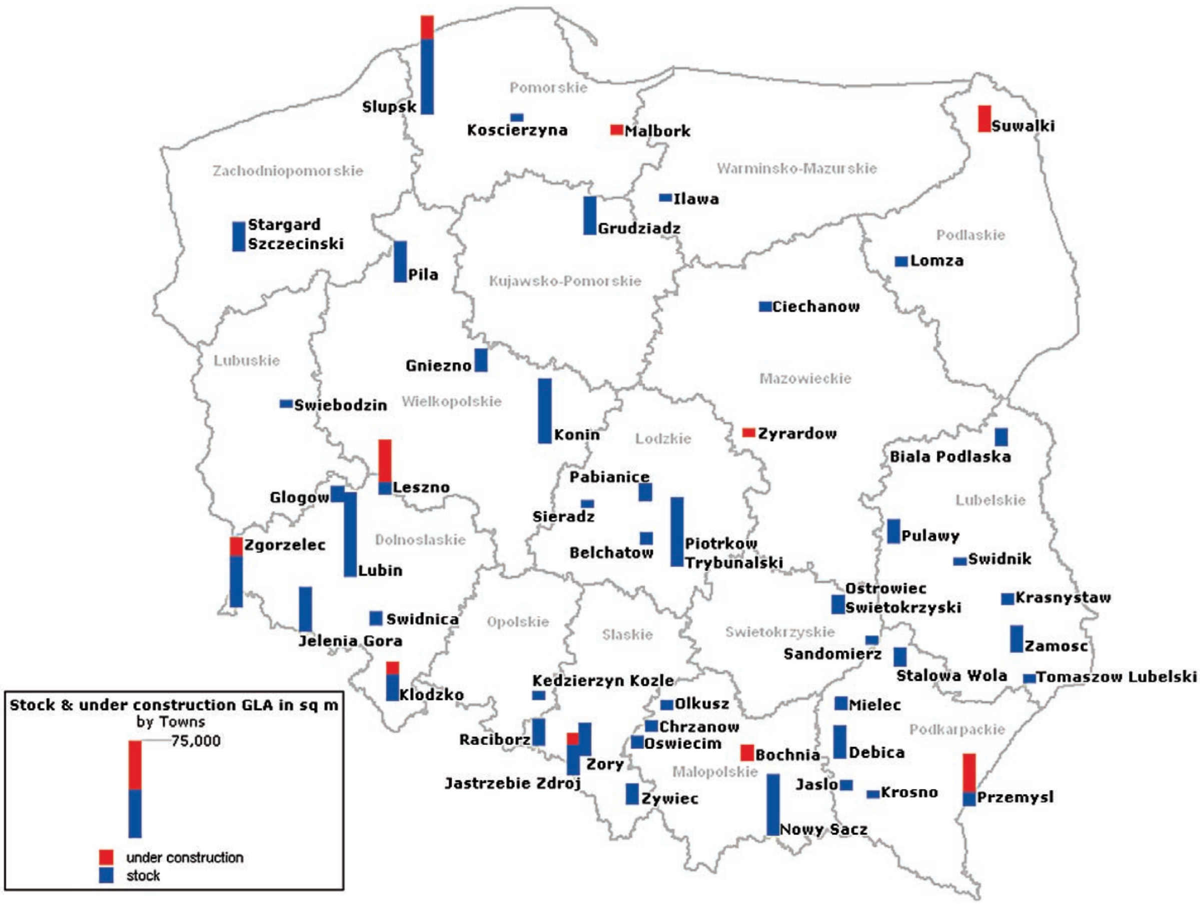
At the end of 2009 there was nearly 7,690,000 sq m GLA of modern shopping centre space in Poland. Over 62% of this area is located in the eight major agglomerations and 38% in middle-sized and small towns. The volume of shopping centre area amounts to 848,000 sq m GLA in towns with population below 100,000 citizens, 1,188,000 sq m in towns with 100,000-200,000 citizens and further 878,000 sq m in cities with 200 000 -400 000 citizens. The Warsaw Agglomeration offered around 1,353,000 sq m GLA of shopping centre space at the end of 2009.

Distribution of modern shopping centre space in Poland, towns over 100,000 inhabitants



Source: Retail Research Forum, end of 2009

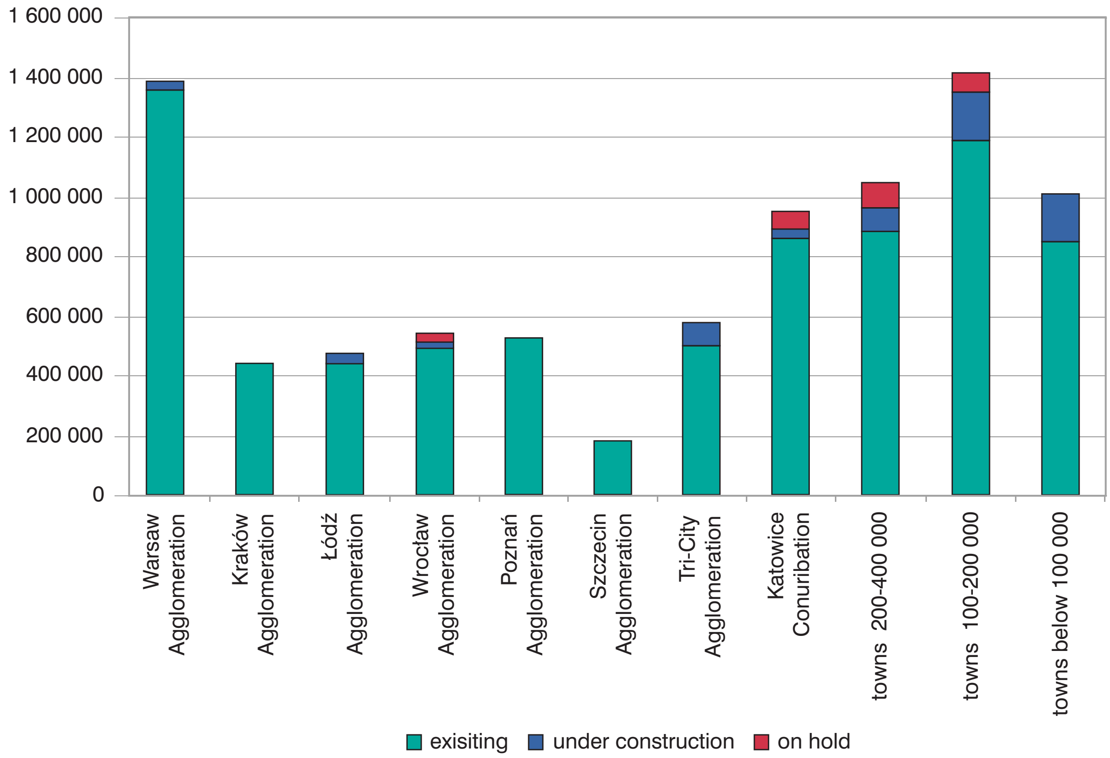
Distribution of modern shopping centre space in Poland, towns below 100,000 inhabitants



Source: Retail Research Forum, end of 2009

At the end of 2009 approximately 630,500 sq m GLA remained under construction, out of which only 25% was located in middle-sized and small towns. Circa 230,000 sq m of GLA, which was put on hold, remained still waiting for the resumption of the construction works. The observed decrease of development activity results from decisions to suspend/postpone investments made at the end of 2008, caused by the global financial crisis. The decline of annual supply of new shopping centre provision in the years 2010-2011 will reduce the availability of modern shopping centre space in Poland and thus reverse the current market trend in the rental level and other lease conditions.

Shopping centre space in Poland (existing, under construction, suspended) at the end of 2009



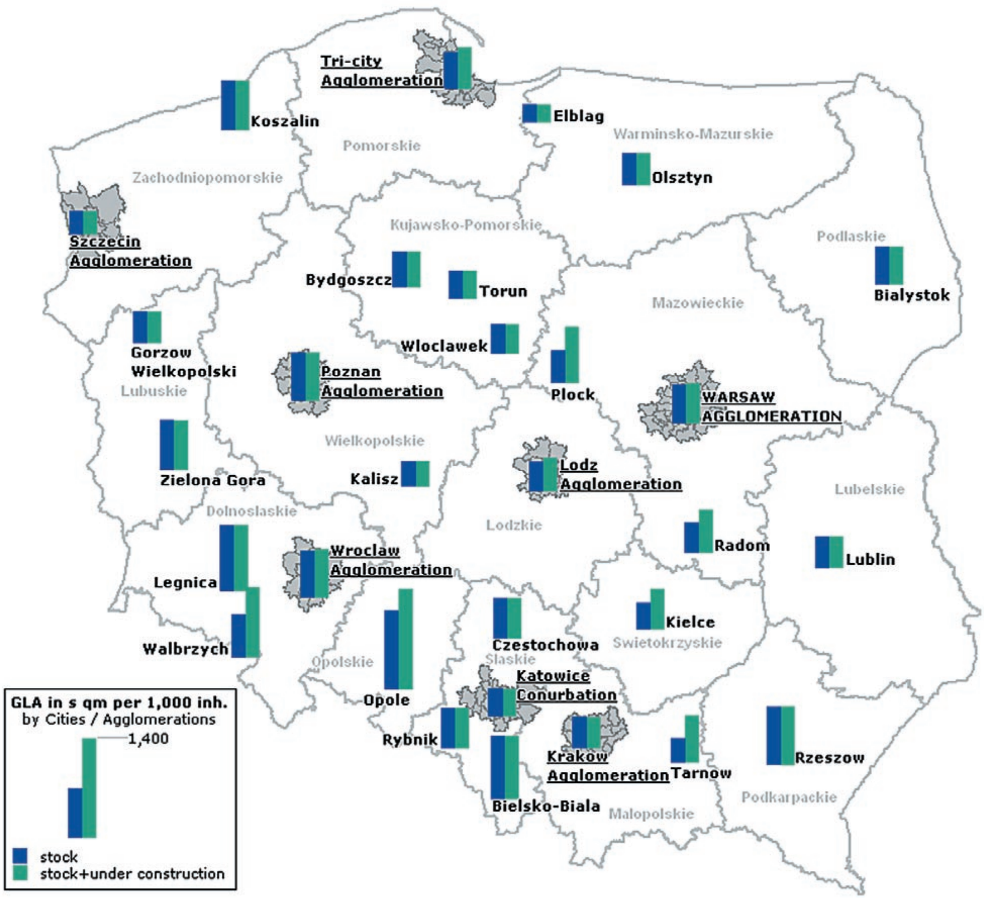
Source: Retail Research Forum, end of 2009

2. Distribution and density of modern shopping centre stock in Poland

Among the eight major agglomerations, the highest density rate of modern retail space is noted in Poznań (667 sq m per 1,000 inhabitants) and in Wrocław (653 sq m). Analyzing projects which are under construction, density levels in those markets will not change.

The first half of 2010 will bring significant changes in Łódź Agglomeration, where after the opening of the second phase of Port Łódź by Inter Ikea, the density rate will increase from the current level of 401 sq m to 471 sq m.

Shopping centre provision per 1,000 inhabitants in towns over 100,000 inhabitants



Source: Retail Research Forum, end of 2009

The most favourable situation for the new retail developments is observed in the Katowice Conurbation and the agglomeration of Szczecin, where the density rates amount to 385 sq m and 340 sq m respectively. In the Katowice Conurbation, where the opening of Bytom Agora is scheduled for autumn this year, there will be no significant changes in the market statistics.

The density of modern shopping centre space will increase in Tri-City to the level of 561 sq m by the end of 2010 as a result of the opening of Rental Park located close to the existing Fashion House.

Among the major regional cities with a population between 200,000 and 400,000 inhabitants Częstochowa is the leader in terms of modern shopping centre space provision, where after the opening of Galeria Jurajska the density ratio reached 573 sq m. Thereby Częstochowa overtook in the statistics Białystok (533 sq m) and Bydgoszcz (505 sq m). Other large projects are currently realized in Radom (Galeria Słoneczna) and in Kielce (the extension of Galeria Echo). After the completion of these projects, both cities will be placed amongst the leaders with the density indicators of 606 sq m and 562 sq m respectively.

Within the group of the medium-sized towns with a population between 100,000 - 200,000 inhabitants, in several cities, such as Opole (1,106 sq m), Legnica (928 sq m), Bielsko-Biała (894 sq m), Rzeszów (824 sq m), Koszalin (692 sq m) and Zielona Góra (690 sq m), we observe high modern shopping centre space density statistics, which indicate, that the density level has been reached. Taking into account projects currently under construction, Opole will strengthen its position as a leader (with a provision of 1,400 sq m / 1,000 inhabitants) after the opening of Turawa Retail Park. Besides, Wałbrzych will join the leaders (979 sq m after the opening of Galeria Victoria), Płock (787 sq m after the opening of Galeria Mosty) and Tarnów (651 sq m after the completion of Gemini Jasna Park).

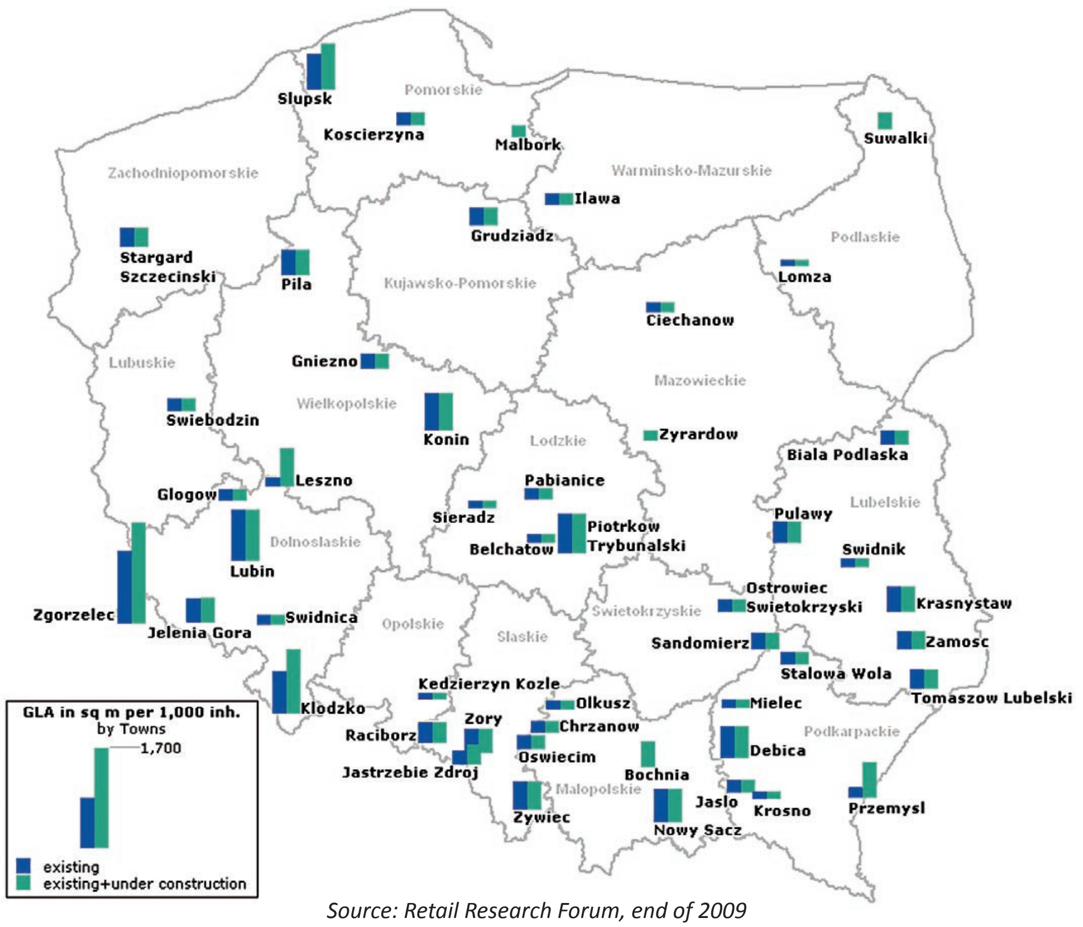
In the cities such as Elbląg, Kalisz, Włocławek, Olsztyn and Gorzów Wielkopolski there is still space for a new retail offer.

Among towns with a population below 100,000 residents there is a wide variation of indicators and quality of existing retail space. In towns such as Zgorzelec (1,230 sq m / 1,000 inhabitants), Lubin (862 sq m), Kłodzko (714 sq m), Piotrków Trybunalski (676 sq m), Konin (622 sq m), Słupsk (594 sq m) and Nowy Sącz (555 sq m) several projects opened over the recent years and the current market indicators show that the level of saturation has been reached. In addition, in the part of the above mentioned towns further new projects are under construction (Plaza in Zgorzelec, Galeria pod Wiatrakami in Słupsk and the extension of Galeria Twierdza in Kłodzko).

However, in towns like Żyrardów, Suwałki, Malbork, Bochnia there have not been any shopping centre projects developed so far, although they are currently being prepared and the situation in these towns is going to change over the next months. There are now some projects under construction, such as: Galeria Malborska in Malbork, Galeria Bochnia in Bochnia, Stara Garbarnia in Żyrardów and Plaza in Suwałki.

High development activity can be also noticed in Przemyśl (Galeria Sanova) and in Leszno (Galeria Leszno). After the opening of these two galleries, the indicators will reach a high level of 654 sq m in Leszno and 598 sq m in Przemyśl.

Shopping centre provision per 1,000 inhabitants in towns below 100,000 inhabitants



Source: Retail Research Forum, end of 2009

3. Modern shopping centre formats in Poland

In Poland there are over 330 shopping centres out of which there are 312 traditional shopping centres. The traditional format of shopping centre dominates the market and has 92% share in the total volume of the shopping centre stock, which translates into over 7 million sq m.

Retail parks account for circa 7% of total supply covering approximately 510,000 sq m. Inter Ikea is the major developer active on the market, properties developed by Swedish company account for 65% of the total retail park stock.

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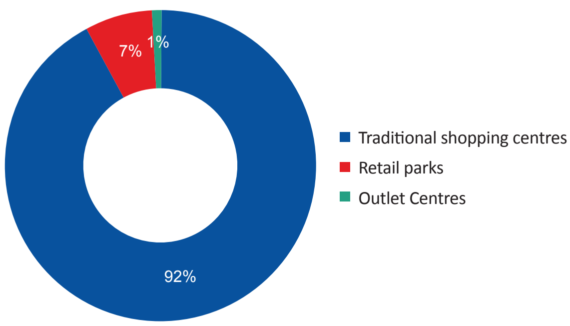
Specialised outlet centres supply increased in 2009 by 5,000 sq m as a result of the extension of Fashion House in Gdańsk and total outlet centres stock reached 94,000 sq m at the end of 2009. Neinver and The Outlet Company remain the exclusive developers of this format on the Polish market.

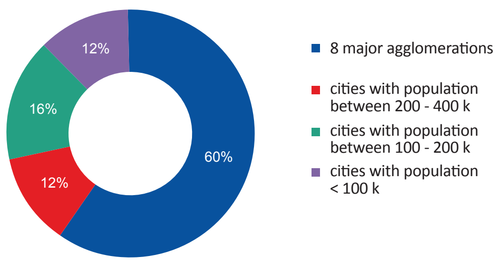
Modern shopping centres in Poland by format



Source: Retail Research Forum, end of 2009

Eight major agglomerations have the highest share in the traditional shopping centre market. Almost 60% of stock is located there. Secondary cites with a population between 200,000 and 400,000 inhabitants and smaller towns populated by less than 100,000 inhabitants have similar market share accounting for 12% (approx. 850,000 - 870,000 sq m) each, while supply in the tertiary towns with a population between 100,000 and 200,000 inhabitants exceeds 1.15 million sq m, which translates into 16% of the total traditional shopping centre stock.

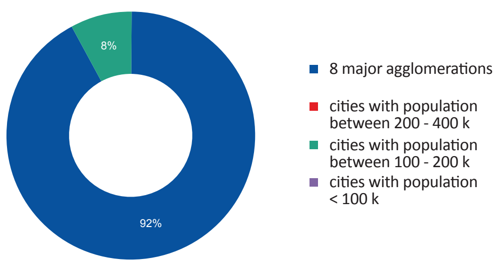
Traditional shopping centres distribution by size of cities



Source: Retail Research Forum, end of 2009

Retail parks are mainly located in the eight major agglomerations. First retail parks developed outside of major cities were completed in 2008 (Stop Shop in Legnica, 104,000 inhabitants) and in 2009 (Karolinka Retail Park in Opole, 126,000 inhabitants). It should be noted that many existing shopping centres were extended by quasi retail park developments, which are included by RRF in the traditional shopping centres stock.

Distribution of retail parks by size of cities



Source: Retail Research Forum, end of 2009

All existing outlet centres have been developed only in the major agglomerations.

4. New openings in H2 2009

In the second half of 2009 nearly 400,000 sq m GLA of shopping centre space was delivered to the market, out of which 61% in the middle-sized and small towns. The largest shopping centres opened in the major agglomerations include Bonarka in Kraków and I phase of Port Łódź in Łódź. In the middle-sized towns in the second half of 2009 the following major shopping centres have been finished - Galeria Jurajska in Częstochowa, II phase of Sfera in Bielsko-Biała, Nowy Świat in Rzeszów and Wzorcownia in Włocławek. Among projects completed in towns with population less than 100,000 inhabitants are - Focus Mall in Piotrków Trybunalski, Galeria Sandecja in Nowy Sącz and Galeria Niwa in Oświęcim.

Major completions over the second half of 2009

Name	City/Town	GLA sq m
Galeria Jurajska	Częstochowa	48,000
Bonarka	Kraków	90,000
Nowy Świat	Rzeszów	22,000
Galeria Tarnovia	Tarnów	13,800
Galeria Rumia	Rumia	15,300
Port Łódź ph. 1	Łódź	33,000
Wzorcownia	Włocławek	20,000
Fenix	Radom	11,000
Carrefour	Jastrzębie Zdrój	17,000
Galeria Sandecja	Nowy Sącz	14,700
Galeria Niwa	Oświęcim	9,500
Focus Mall	Piotrków Trybunalski	35,400

Source: Retail Research Forum, end of 2009

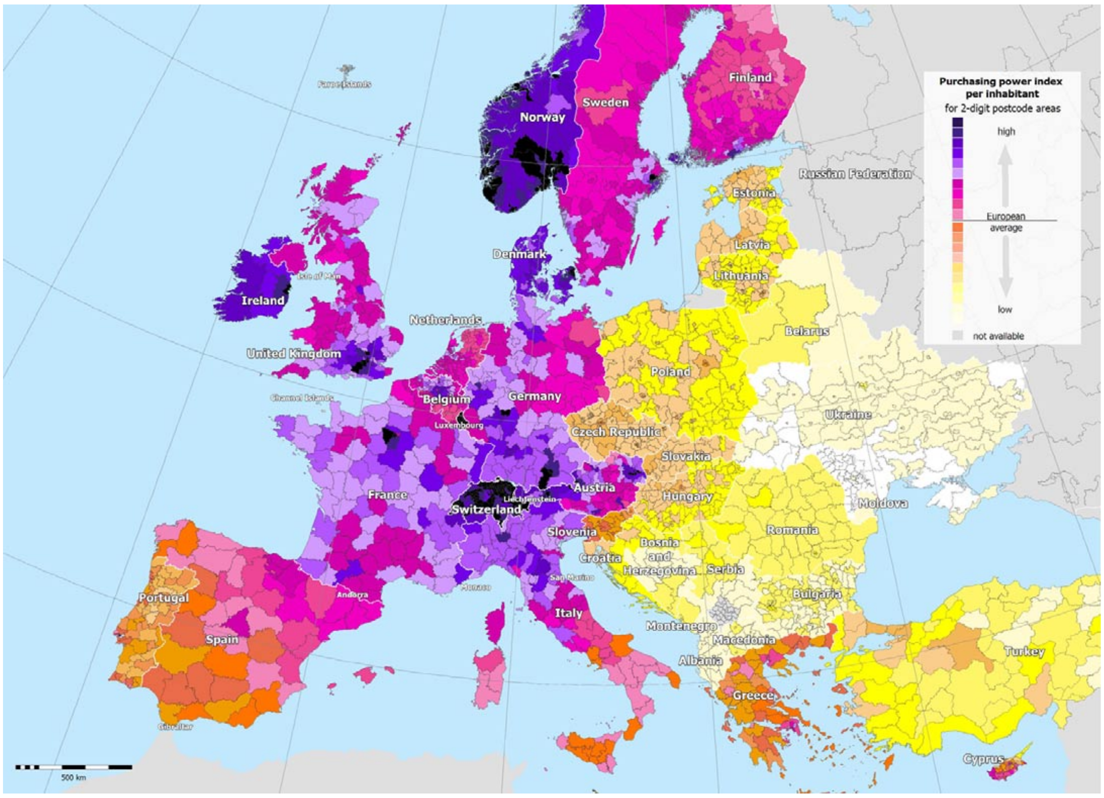
5. Purchasing Power in Poland, GfK commentary

GfK

GfK Purchasing Power Index defines the total value of goods and services which can be purchased over a year by people residing in the selected area. An average citizen of Europe has the purchasing power of 11,699 Euro and this amount could be spent on goods and services over a year. An average Polish citizen has the purchasing power of 4,650 Euro (it constitutes to 39.7% of EU average and equals to 20,583 PLN) and is ranked at 29th place in the European ranking.

In Poland, only 15 out of 379 poviats reach the purchasing power level accounting to 50% of the European average. This includes the largest Polish cities as well as poviats located to the south-west from Warsaw, but also Płock and Lubin. The most affluent consumers live in Warsaw - an average inhabitant of Warsaw can spend up to 7,786 Euro (34,467 PLN) over a

Purchasing Power Index in Europe



Source: GfK, March 2010

Purchasing Power within the selected European countries

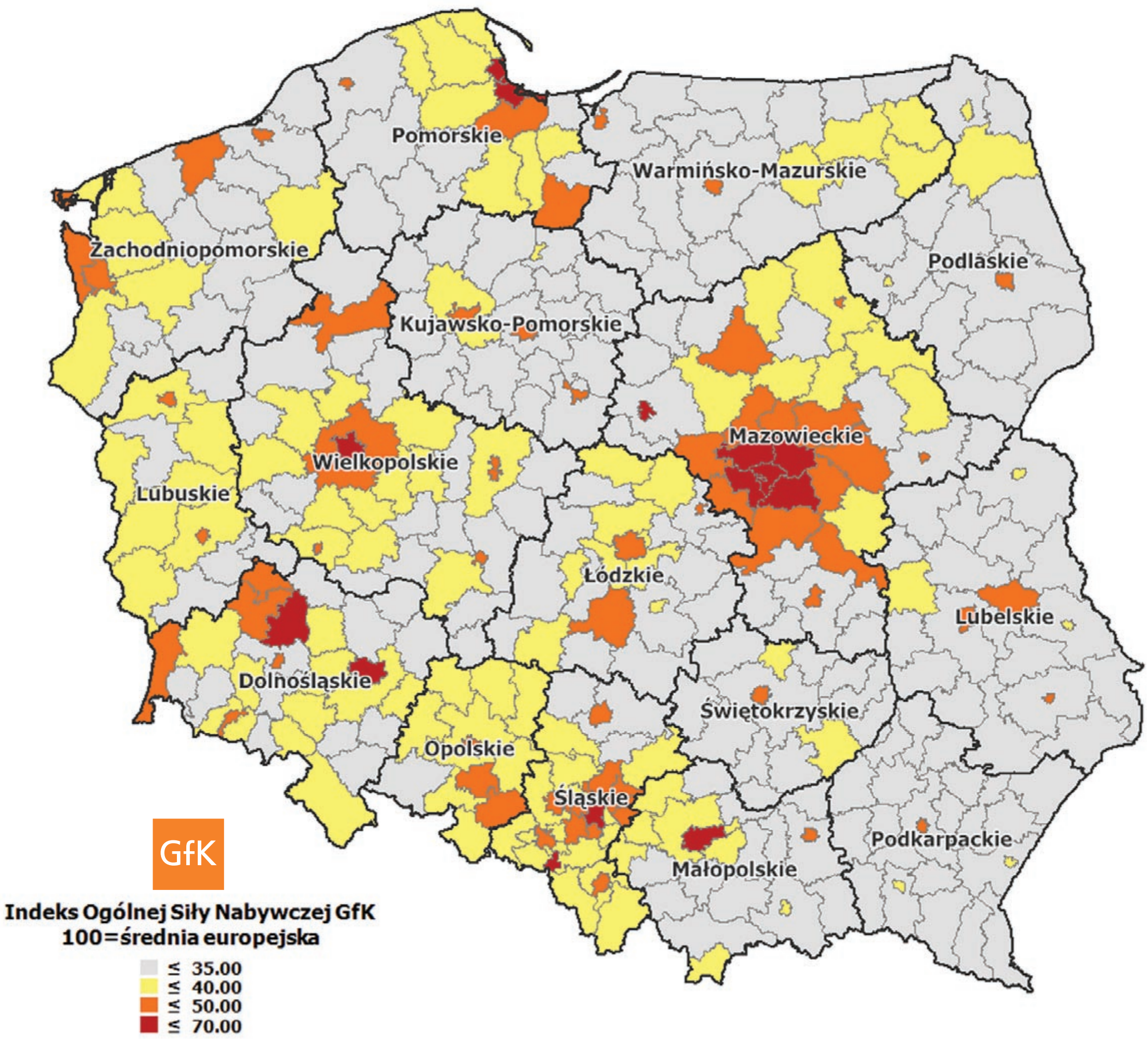
Selected countries in the ranking	Purchasing Power in Euro per capita/year	Purchasing Power Index 2010 100 = European average
Lichtenstein	50,761	433,9
France	18,839	161,0
Sweden	14,561	124,5
Great Britain	14,240	121,7
Spain	13,115	112,1
Slovakia	6,871	58,7
Poland	4,650	39,7
Moldovia	1,222	10,4

Source: GfK, March 2010

year, which represents 66.7% of the European average and 167% of the average purchasing power in Poland.

In the major Polish agglomerations there is the highest purchasing power potential and it is concentrated in their capitals or in their nearest surroundings. However, the affluence levels between particular communes located within agglomerations may differ significantly. The example of the city of Kraków and the surrounding area shows that the wealthiest

Purchasing Power Index in Poland



Source: GfK, March 2010

residents reach the level of 127.7% of the national average, and the poorest, only 68.8% - it is a difference of almost 60 percentage points.

An average Polish citizen has the yearly purchasing power of 20,583 PLN. This amount is dedicated to all necessary living expenses, articles of daily use and also for the purchases related to the pleasure and savings. Compared to 2009 a slight decrease (of a 1.5%) of the average Polish consumer wealth in comparison to the previous year has been recorded. This means that on annual basis, all Polish consumers are able to spend about 11.7 billion PLN less.

Purchasing Power within the major Polish Agglomerations

Agglomeration	Gdańsk	Katowice	Kraków	Łódź	Poznań	Szczecin	Warsaw	Wrocław
Number of inhabitants	992 205	2 233 621	1 004 750	1 006 258	794 810	546 768	2 469 786	761 703
GfK General Purchasing Power for agglomeration (mln PLN)	25 263	50 346	24 659	22 762	20 149	13 614	78 843	20 913
% of Poland's population	2,6%	5,9%	2,6%	2,6%	2,1%	1,4%	6,5%	2,0%
% of total Polish Purchasing Power	3,2%	6,4%	3,1%	2,9%	2,6%	1,7%	10,0%	2,7%
Deviation from the average value for Poland within the communes in the agglomeration (in %)								
Commune with the highest potential	134,5	130,8	127,7	114,5	130,3	125,9	167,5	141,0
Commune with the lowest potential	85,1	94,9	68,8	85,1	85,2	98,3	98,7	88,2

Source: GfK, March 2010

Przemysław Dwojak, GfK Polonia
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6. About Retail Research Forum

Retail Research Forum (RRF) is represented by a group of professional analysts and consultants, acting for many years in the commercial property market: Cushman & Wakefield, DTZ, Jones Lang LaSalle, GENI, with the participation of the company GfK Polonia and under the patronage of the Polish Council of Shopping Centers (PRCH).

The goals of the RRF are to:

- share views on a regular basis about the retail real estate market in Poland
- issue accordingly statements and reports about that market, within the frame of below definitions and ICSC (International Council of Shopping Centers) standards.

Definitions

The following definitions have been adopted in compliance with ICSC standards:

Shopping Center - a retail property that is planned, built and managed as a single entity, comprising units and "communal" areas, with a minimum gross leasable area (GLA) of 5,000-sqm, and a minimum of 10 retail units.

Retail Park - also known as a "power center", is consistently designed, planned and managed scheme that comprises mainly medium- and large-scale specialist retailers ("big boxes" or "power stores").

Factory Outlet Center - is a consistently designed, planned and managed scheme with separate store units, where manufacturers and retailers sell merchandise at discounted prices that may be surplus stock, prior-season or slow selling.

Methodology

The Retail Research Forum has applied the above definitions to classify all retail properties located in Poland, so to provide with a commonly agreed stock of retail centers.

For the purpose of this publication RRF defined greater territorial areas for cities of Warsaw, Katowice and Tri-city as follows:

Warsaw Agglomeration: Warsaw, Grodzisk Mazowiecki, Podkowa Leśna, Milanówek, Jabłonna, Legionowo, Nieporęt, Halinów, Sulejówek, Wiązowna, Józefów, Otwock, Konstancin-Jeziorna, Piaseczno, Lesznowola, Michałowice, Nadarzyn, Pruszków, Raszyn, Brwinów, Piastów, Ozarów Mazowiecki, Stare Babice, Łomianki, Izabelin, Błonie, Radzymin, Marki, Ząbki, Kobyłka, Wołomin and Zielonka.

Katowice Conurbation: Będzin, Bytom, Chorzów, Czeladź, Dąbrowa Górnicza, Gierałtowice, Gliwice, Jaworzno, Katowice, Knurów, Mikołów, Mysłowice, Piekary Śląskie, Radzionków, Ruda Śląska, Siemianowice Śląskie, Sosnowiec, Świętochłowice, Tarnowskie Góry, Tychy, Wojkowice and Zabrze.

Kraków Agglomeration: Biskupice, Igołomia-Wawrzeńczyce, Kocmyrzów - Luborzyca, Koniusza, Kraków, Liszki, Michałowice, Mogilany, Niepołomice, Skawina, Świątniki Górne, Wieliczka, Wielka Wieś, Zabierzów and Zielonki.

Łódź Agglomeration: Aleksandrów Łódzki, Andrespol, Brojce, Konstantynów Łódzki, Ksawerów, Łódź, Nowosolna, Ozorków, Pabianice, Rzgów, Stryków and Zgierz.

Poznań Agglomeration: Czerwonak, Dopiewo, Kleszczewo, Komorniki, Kórnik, Luboń, Mosina, Poznań, Puszczykowo, Rokietnica, Suchy Las, Swarzędz and Tarnowo Podgórne.

Szczecin Agglomeration: Dobra, Goleniów, Gryfino, Kobylanka, Kołbaskowo, Police, Stare Czarnowo and Szczecin.

Tri-city Agglomeration: Gdańsk, Gdynia, Sopot, Rumia, Reda, Wejherowo, Pruszcz Gdański, Cedry Wielkie, Kolbudy, Kosakowo, Szemud and Żukowo.

Wrocław Agglomeration: Czernica, Długołęka, Kąty Wrocławskie, Kobierzyce, Miękinia, Oborniki Śląskie, Święta Katarzyna, Wisznia Mała, Wrocław and Żórawina.

That common database allows the RRF to provide with commonly agreed information about the existing retail stock particulars as well as about the new stock under construction (where constructions have started and are continued).

7. Contact details

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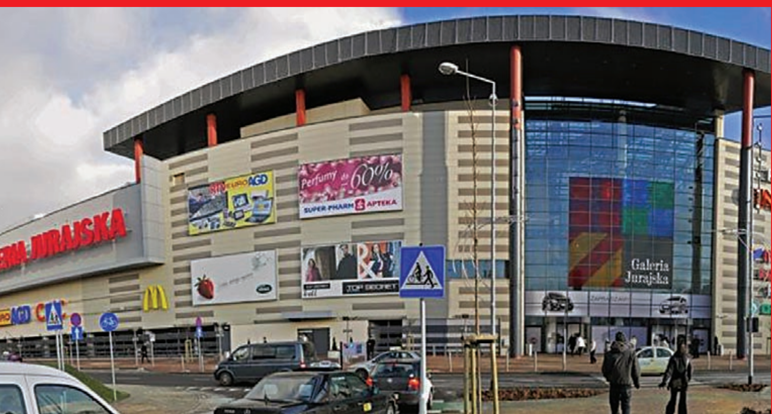
Galeria Tarnovia, Tarnów

Galeria Sandecja, Nowy Sącz



Galeria Jurajska, Częstochowa

Port Łódź phase I, Łódź

Wzorcownia, Włocławek

Galeria Niwa, Oświęcim

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