

RETAIL RESEARCH FORUM



Polska Rada Centrów Handlowych
Polish Council of Shopping Centres

REPORT H1 2011



Morski Park Handlowy



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Content

1. Supply of modern shopping centre space* in Poland	2
2. Modern shopping centre space per 1 000 inhabitants	4
3. Modern shopping centre formats in Poland	9
4. New openings in H1 2011	10
5. Shopping centre occupancy and vacancy rates	11
6. Tenants and rental structure in shopping centres in Poland	14
7. Sales and consumer sentiment in H1 2011	16
8. PRCH Turnover Index in shopping centres in first half of 2011	18
9. About Retail Research Forum	21
10. Contact details	23

* including traditional shopping centres, retail parks and outlet centre

Report H1.2011 PRCH Retail Research Forum

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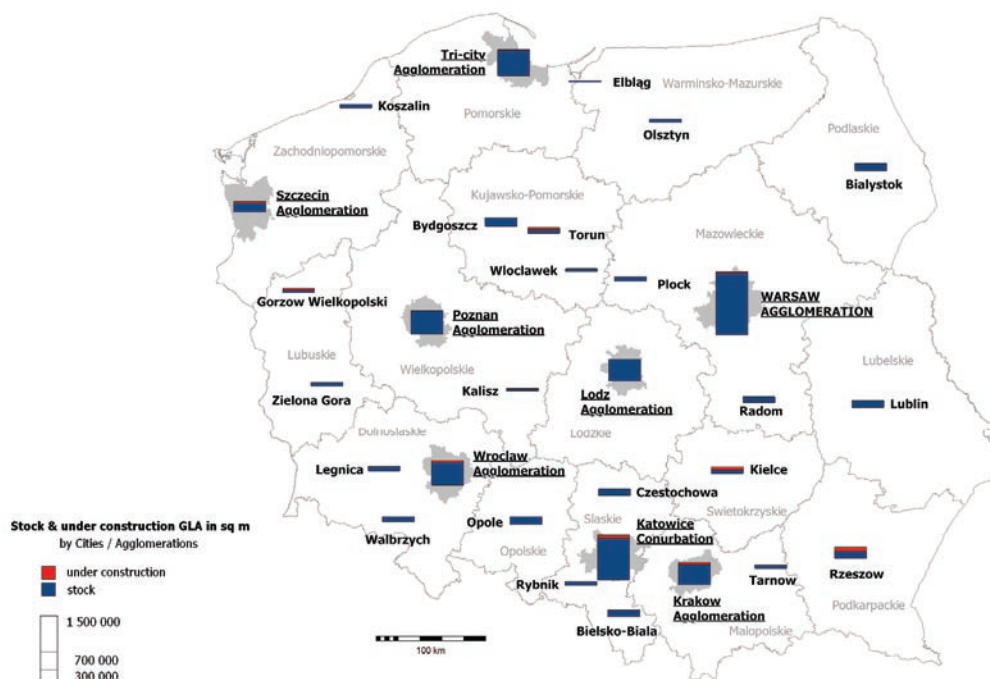
1. Supply of modern shopping centre space in Poland

The supply of modern shopping centre space in Poland, which consists of space available in traditional shopping centres, retail parks and outlet centres, as at the end of the first half

of total space is located in the eight largest cities, compared to 39.7% located in small and medium-sized towns (H2 2010: 62% and 38% respectively).

The gross leasable area is 1,051,970 sq m in towns and cities with a population of up to 99,000; 1,359,630 in cities with a population of between 100,000 and 199,000 people; and 896,450 in cities with a population of between

Distribution of shopping centre space in the cities above 100,000 inhabitants



Source: PRCH Retail Research Forum, H1 2011

of 2010 exceeded 8.3 million sq metres (GLA). The percentage of space available in small and medium-sized towns in relation to total space is gradually increasing. More than 60.3%

200,000 and 400,000. The two largest retail space markets are the urban areas of Warsaw and Katowice. As at the end of the second quarter of 2011, the Warsaw area market

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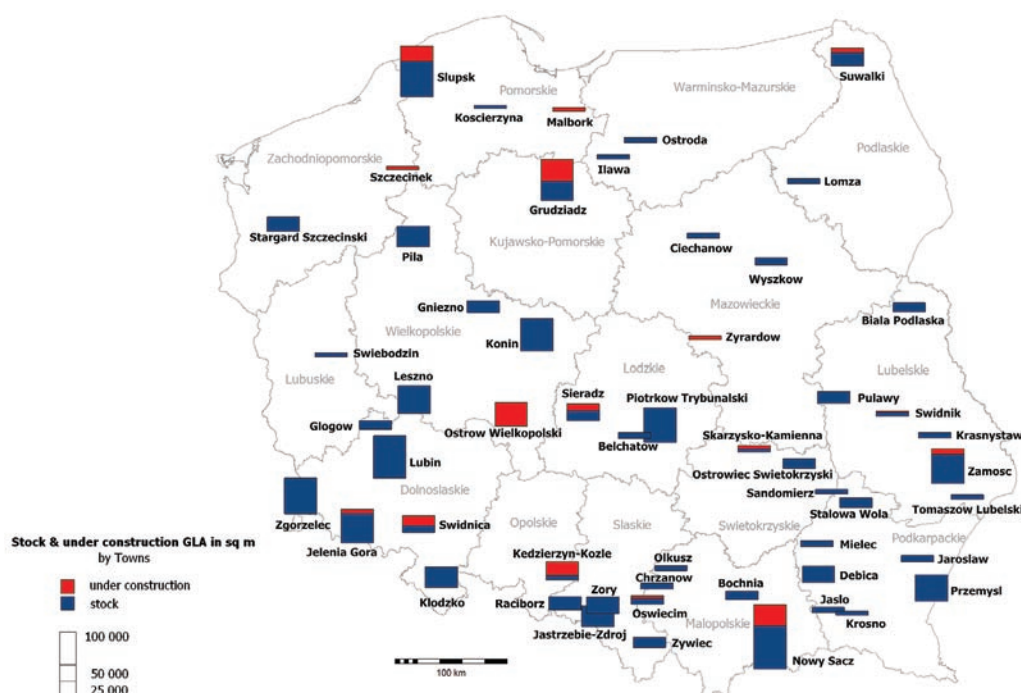
REPORT H1 2011

offered a GLA of 1,384,870 sq m, compared to a GLA of 943,060 sq m in the Katowice area. Compared to the same period of 2010, the largest increase in the supply of leasable area was seen in the smallest towns (16.3%) and in cities with a population of between 199 –100,000 people (11.3%).

During the first half of 2011, the total GLA made available for use was 268,900 sq m. The largest shopping centres completed in the main urban areas in H1 2011 were Galeria Słoneczna in Radom and Turawa Park in Opole. Projects opened in towns with a population of below 100,000 included Galeria Leszno and Galeria Twierdza in Zamość.

As at the end of the first half of 2011, more than 770,400 sq m of GLA was under development, including as much as 64.7% in small and medium-sized towns. The construction of projects covering a total of 242,000 sq m was suspended. During the next two years, shopping centre development activity is expected to continue to be limited, focusing on small and medium-sized towns. The largest projects to be put out to the market during the second half of 2011 include Galeria Echo (Phase II) in Kielce, Galeria Ostrovia in Ostrów Wielkopolski, Millenium Hall in Rzeszów and Kaskada in Szczecin.

Distribution of shopping centre space in the cities below 100,000 inhabitants



Source: PRCH Retail Research Forum, H1 2011

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REPORT H1 2011

2. Modern shopping centre space per 1 000 inhabitants

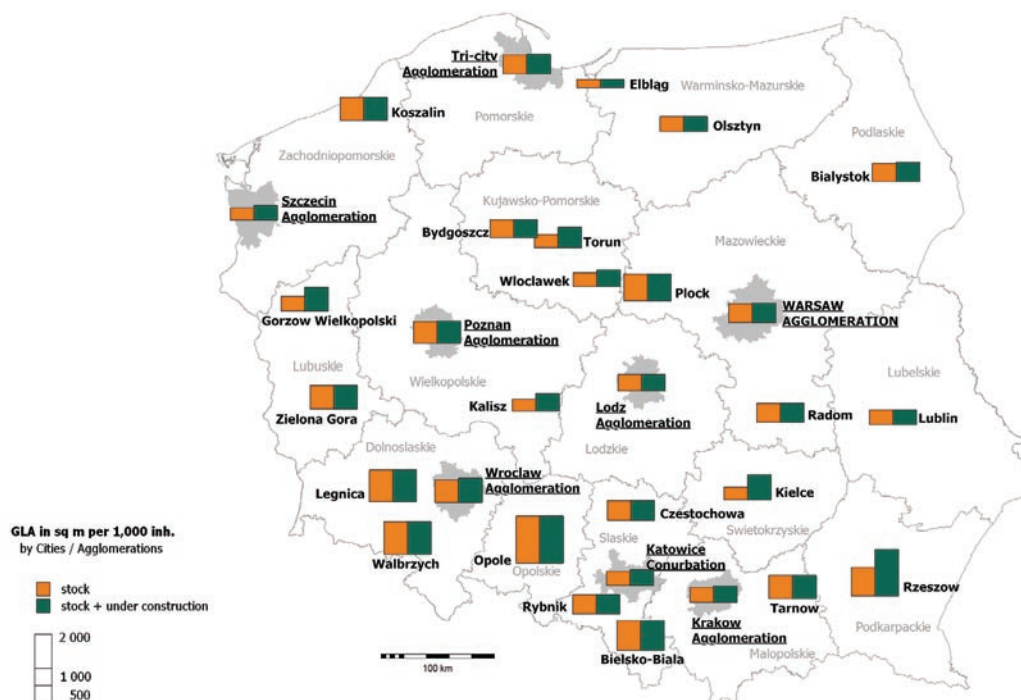
Compared to 2010 year-end figures, average modern shopping centre space per 1,000 inhabitants for all of Poland increased slightly from 215 sq m to 219 sq m.

For the eight largest urban areas, this ratio is 512 sq m per 1,000 inhabitants, with Wrocław (660 sq m) and Poznań (643 sq m) continuing in the lead. In contrast, the lowest ratios can be seen in the areas of Szczecin, Cracow and Katowice.

During the first half of 2011, the highest increase was recorded in the Tricity (Gdańsk, Gdynia, Sopot) area, where the first stage of Morski Park Handlowy (Sea Retail Park) was completed and where Galeria Rumia was given a multi-screen cinema.

The most active area in terms of shopping centre development is Katowice, with its two projects currently under construction (with a leasable area of 76,000 sq m in total), namely the construction of Galeria Katowicka by Neinver) and the extension of Silesia City Centre. Wrocław, although ranked at the top of the list, is a city with two projects under construction: a shopping

Shopping centre stock density in sq m per 1,000 inhabitants in towns over 100,000 population



Source: PRCH Retail Research Forum, H1 2011

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REPORT H1 2011

centre as part of the Sky Tower project and an extension of Magnolia Park.

By the end of this year, the GLA/1000 ratio should reach a high level in Szczecin, where Galeria Kaskada, constructed by ECE Projektmanagement, is expected to open in September.

In Cracow, the the GLA/1000 ratio will increase by almost 50 sq m following the opening, in the autumn of this year, of a shopping centre constructed by Neinver, covering an factory

two projects are completed, the GLA/1000 ratio in this city will increase significantly to 737 sq m, from the current level of 373 sq m, putting Kielce at the top of the list of cities with a population of between 200,000 and 400,000.

Following the completion of Toruń Plaza (43,000 sq m), Toruń will move up to second place on the list.

Medium-sized cities (i.e. with a population of between 100,000 and 200,000) , the GLA/1000

Retail space density in sq m per 1,000 inhabitants

Agglomeration	Stock	Stock + under construction
Wrocław	660	711
Poznań	643	655
Trójmiasto	570	584
Warszawa	555	566
Agglomeration average	512	539
Łódź	492	493
Kraków	442	489
Katowice	418	453
Szczecin	364	440

Source: PRCH Retail Research Forum, H1 2011

outlet centre and a Futura retail park.

The average GLA/1000 ratio for the largest regional cities (with a population of between 200,000 and 400,000) is 490 sq m. Continuing in the lead is the city of Częstochowa. Following the opening of Galeria Słoneczna (42,000 sq m), Radom, with its 561 sq m, has made a strong move up the list.

The largest increase in the supply of shopping centre space will be recorded by Kielce, where two projects are currently under development: Galeria Korona (34,000 sq m) and an extension of Galeria Echo by another 40,000 sq m. After these

ratio varies significantly. In some of the cities, it is difficult to find land for new projects. These include, for example, Opole (1,391 sq m), Wałbrzych (960 sq m), Legnica (933 sq m), Bielsko – Biała (896 sq m), to be joined soon by Rzeszów, where the ratio will reach 1,372 sq m after the completion of the two shopping centres under construction (i.e. Millennium Hall and City Center).

The cities with the lowest GLA/1000 ratio levels include Elbląg (251 sq m), Kalisz (356 sq m), Włocławek (416 sq m), Gorzów Wielkopolski (437 sq m) and Olsztyn (439 sq m).

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REPORT H1 2011

Retail space density in sq m per 1,000 inhabitants

City	Stock	Stock + under construction
Częstochowa	578	578
Radom	561	561
Białystok	532	565
Bydgoszcz	527	527
Average for cities 200,000-400,000 inhabitants	490	558
Lublin	438	438
Toruń	392	602
Kielce	373	737

Source: PRCH Retail Research Forum, H1 2011

However, when planning new projects, special note should be taken of the fact that developers are already very active in these cities. New commercial projects currently under development include Galeria Tęcza (Kalisz), Galeria Nova (Gorzów Wielkopolski), an extension of Wzorcownia the construction of a Focus retail park (Włocławek), plus the already mentioned

Rzeszów, with its two projects under way.

In cities with a population of between 100,000 and 200,000, only one new project (Turawa Park in Opole) was completed during the first half of 2011.

The GLA/1000 ratio varies considerably also across towns and cities with a population of below 100,000. In some of the towns and cities

Retail space density in sq m per 1,000 inhabitants

City 100,000-200,000	Stock	Stock + under construction
Opole	1 391	1 391
Wałbrzych	960	960
Legnica	933	933
Bielsko-Biała	896	896
Rzeszów	844	1 372
Płock	789	789
Tarnów	699	699
Zielona Góra	689	689
Koszalin	687	687
Average for cities 100,000-200,000 inhabitants	693	771
Rybnik	566	566
Olsztyn	439	439
Gorzów Wielkopolski	437	695
Włocławek	416	492
Kalisz	356	526
Elbląg	251	251

Source: PRCH Retail Research Forum, H1 2011

RETAIL RESEARCH FORUM

REPORT H1 2011

in this category, e.g. Zgorzelec, Kłodzko, Lubin, Nowy Sącz, Przemyśl, Piotrków Trybunalski, Zamość or Leszno, the statistics are at levels that should be given special attention when planning new projects there.

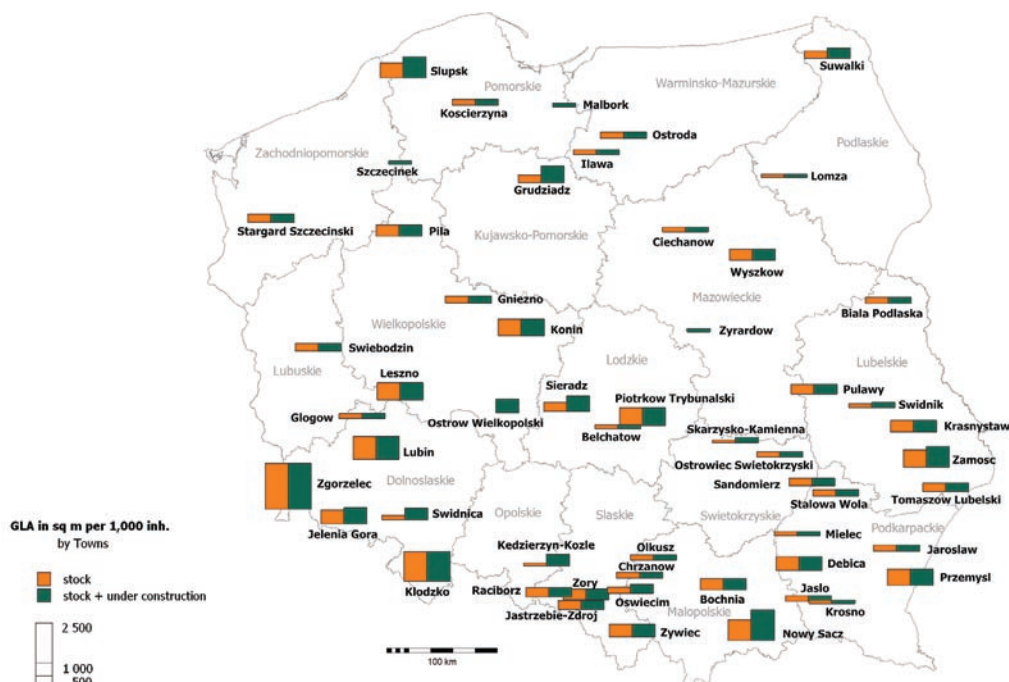
During the first half of 2011, seven projects, covering a total of 120 thousand sq m, were completed in those towns and cities. The cities where the projects are located have joined the market leaders. Any new projects to be located there should be analysed very carefully. In Leszno, following the opening of Galeria Leszno, the GLA/1000 ratio increased from 155 sq m to 652 sq m. In Zamość, the completion of Galeria Twierdza resulted in an increase of the city's GLA/1000 ratio to 668 sq m, and a new project, called Revia

Park, is now under construction and scheduled to be opened by the end of this year.

In Nowy Sącz, a project called Centrum Gołębkiwice was opened, pushing the GLA/1000 ratio up from 554 sq m to 780 sq m, with more projects under development in this city. The market in Słupsk was given the leasable area of Galeria Pod Wiatrakami, and another phase in the construction of Jantar is now under way. Once it is opened, the GLA/1000 ratio for Słupsk will soar to 1,026 sq m.

The situation in small towns, such as Ostróda, Jarosław or Sieradz, has also changed, as new commercial projects entered the local markets. The biggest change will be seen in Ostrów Wielkopolski, where the opening of Galeria

Shopping centre stock provision in sq m per 1,000 inhabitants in towns below 100,000 population



Source: PRCH Retail Research Forum, H1 2011

RETAIL RESEARCH FORUM

REPORT H1 2011

Ostrowia in the autumn of this year will send the local GLA/1000 ratio to 497 sq m (This town has no modern shopping centre today).

The GLA/1000 ratio will almost double (from 175 sq m to 436 sq m) in Świdnica, where a project called Galeria Świdnicka is now under construction.

The situation in the local market of Grudziądz

is also expected to change considerably, as a shopping centre called Alfa is under development in the centre of the city.

The above are only selected examples showing that developers are truly interested in the commercial property markets of small towns.

The table below contains the figures for selected towns with a population of below 100,000

The chart below presents a selection of towns with population below 100,000 inhabitants.
Retail space density in sq m per 1,000 inhabitants

City below 100,000	Stock	Stock + under construction
Zgorzelec	1 724	1 724
Kłodzko	1 119	1 119
Lubin	870	870
Nowy Sącz	780	766
Przemyśl	736	736
Piotrków Trybunalski	682	682
Zamość	668	789
Leszno	652	652
Konin	625	625
Słupsk	788	1 026
Average for towns below 100,000 inhabitants	373	449
Grudziądz	298	628
Świdnica	175	436
Mielec	153	153
Bełchatów	153	153
Żyrardów	0	136
Małbork	0	133
Ostrów Wielkopolski	0	497

Source: PRCH Retail Research Forum, H1 2011

RETAIL RESEARCH FORUM

REPORT H1 2011

3. Modern shopping centre formats in Poland

At the end of the first half of 2011 there were 360 shopping centres in Poland. Among them 337 centres represent traditional shopping centre format, which constitutes 92% of the total shopping centre stock and translates into almost 7.8 million sq m.

Retail parks account for circa 7% of the total supply with the area of approximately 547,000 sq m. Inter Ikea is the most active developer of retail parks with more than 60% share in this market segment.

The segment of outlet centres, similarly to retail parks, recorded neither new openings nor extensions in the first half of 2011. The total stock of outlet centres in Poland amounted to approximately 96,000 sq m. Neinver and Fashion House Polska remain the only developers active in this segment of the shopping centre market.

The majority (57%) of traditional shopping centres stock in Poland is located in the eight

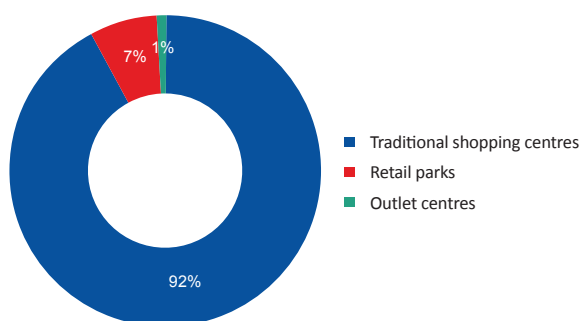
major agglomerations which are the site of operations for 151 out of 337 traditional shopping centres. This is 42% of the total number of shopping centres, however these centres offer a considerably larger leasing area in comparison to the centres located in smaller cities.

Secondary cities with a population between 200,000 and 400,000 inhabitants and towns populated by less than 100,000 inhabitants have similar market share of 12% and 14% each, which translates to the stock of 0.9 million sq m and 1.07 million sq m respectively. The tertiary towns with the population between 100,000 and 200,000 hold a higher shopping centre stock of 17% of the total volume amounting to almost 1.3 million sq m.

The most mature and differentiated retail markets are the local markets in 8 major agglomerations. This is the main location for the most outlet centres and retail parks.

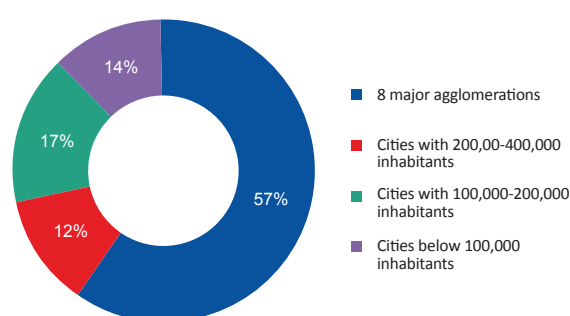
Smaller retail parks are present also in smaller towns, such as Blue Park in Przemyśl, Karolinka in Opole or Stop Shop in Legnica.

Modern shopping centres in Poland
by format



Source: PRCH Retail Research Forum, H1 2011

Traditional shopping centre distribution
by city size



Source: PRCH Retail Research Forum, H1 2011

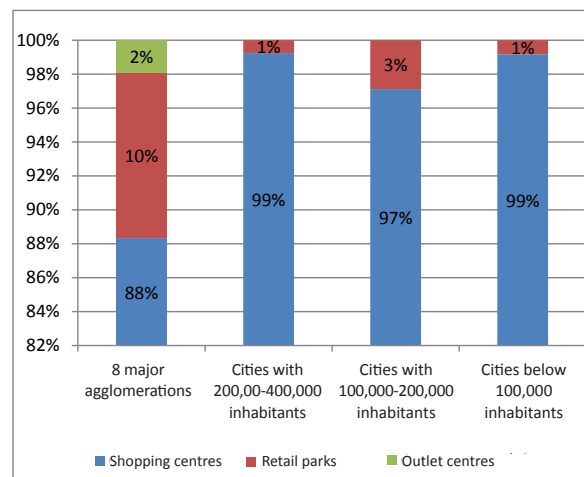
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REPORT H1 2011

The first proper retail park in the cities with the population between 200,000-400,000 inhabitants was built in Bydgoszcz - Pomorski Park Handlowy. It is worth noticing that some of the existing shopping centres have been extended into quasi retail parks. In the RRF analyses they have been included into the shopping centre stock.

Factory outlets account for only 1% of total modern retail stock. All 6 existing projects of this format are located in the major agglomerations – Warsaw, Wrocław, Tricity, Poznań and Sosnowiec.

Differentiation of shopping centre formats



Source: PRCH Retail Research Forum, H1 2011

4. New shopping centres opened in I half of 2011.

In the first half of 2011 in Poland 269,000 sq m GLA of the modern shopping centre space was delivered, which represents slight increase compared to 232,000 sq m opened in the first half of 2010, and to 252,000 sq m in the second half of 2010.

As many as 13 new projects accommodating 248,000 sq m of GLA was constructed in Poland, while nearly 21,000 sq m of newly delivered shopping centre space were extensions. The projects, which were extended over the first half of 2011 include Auchan Gliwice (Leroy Merlin),

Galeria Rumia (Multikino) and M1 in Zabrze. 47% of newly delivered shopping centre space is located in towns below 100,000 inhabitants; further 22% of the space – in the largest conurbation in Poland over 400,000 people; around 18% of the space – in towns of population of 200,000-400,000 people; and remaining 13% of the space in towns populated by 100,000-200,000 inhabitants.

The major projects completed over the second half of 2010 include: Galeria Słoneczna in Radom (42,000 GLA), Turawa Park in Opole (35,000 GLA), Galeria Handlowa Leszno (32,000 GLA), Morski Park Handlowy in Gdańsk (29,000 GLA) and Galeria Twierdza in Zamość (23,800 GLA).

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REPORT H1 2011

New shopping centres opened in I half of 2011

Project Name	City	GLA
Arkada Bydgoszcz	Bydgoszcz	6 000
Auchan Gliwice - phase II (LM)	Gliwice	10 500
Centrum Gołębkiwice	Nowy Sącz	19 000
Centrum Ostróda	Ostróda	8 000
CH Turzyn	Szczecin	10 000
Galeria Handlowa Leszno	Leszno	32 000
Galeria pod Wiatrakami	Słupsk	18 000
Galeria Pruchnicka	Jarosław	9 560
Galeria Rondo	Sieradz	6 000
Galeria Rumia - phase II (Multikino)	Rumia	1 400
Galeria Słoneczna	Radom	42 000
Galeria Twierdza	Zamość	23 830
M1 Zabrze - phase II	Zabrze	9 000
Morski Park Handlowy	Gdańsk	29 460
Tesco	Starogard Gdański	8 700
Turawa Park	Opole	35 460

Source: PRCH Retail Research Forum, H1 2011

5. Shopping centre occupancy and vacancy rates

The Retail Research Forum has decided to publish, for the first time, the results of a survey conducted to determine the vacancy rates for shopping centres in the 15 major urban areas and cities in Poland with a population of above 200,000. The survey included 207 operational commercial properties offering a total of 5.95 million sq m, i.e. 71% of the 8.38 million sq m of gross leasable area available in all of Poland. In addition to the largest markets covering, apart from the urban areas of Warsaw and Katowice, the urban areas of Cracow, Łódź, Poznań, Tricity, Wrocław and

Szczecin, occupancy rates were also measured in the case of projects located in medium-sized cities. The survey included shopping centres located in Bydgoszcz, Lublin, Białystok, Częstochowa, Radom, Toruń, and Kielce.

The vacancy rate for shopping centres is one of the most precise measures, in addition to turnover indexes, of the performance of shopping centres. It is important to note, however, that in the case of shopping centres, unlike in other commercial buildings, vacancy is not only the result, but also the cause of the good or poor condition of a particular centre. Even a relatively small number of unoccupied units in a shopping centre, i.e. at 5%, adversely affects both the tenants of and visitors to the centre. For entire

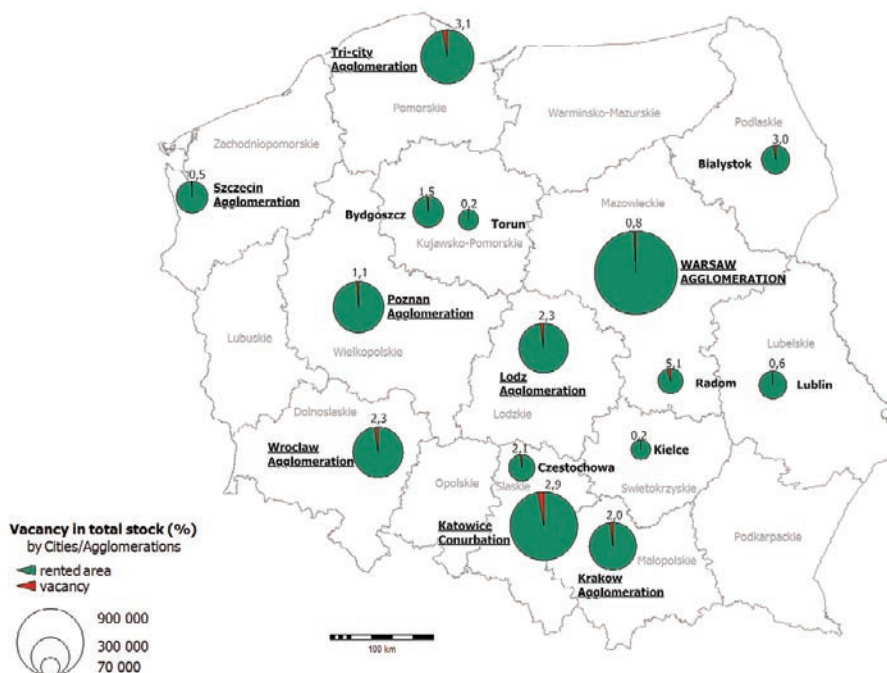
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REPORT H1 2011

cities, the occupancy rate precisely reflects the level of interest in a given market among tenants. In the vast majority of the markets covered by the survey in the first half of 2011, the vacancy rates are low. Poland's largest market, i.e. Warsaw, offered approx. 0,8% of immediately available space, i.e. only 10,700 sq m of leasable space in the capital city. At the same time, the majority of the projects located in the centre of Warsaw have almost unoccupied units. For example, the average fashion tenant requiring a unit of between 300 and 500 sq m in a shopping centre located in the central districts of Warsaw is not likely to find any such unit available for rent immediately. The smallest number of available units in modern shopping centres in the markets covered by the

survey is offered in Kielce and Toruń, where only a few isolated units (covering a total of 130 sq m in Kielce and 150 sq m in Toruń) are not occupied. The situation is similar in the cities of Lublin and Szczecin, where the vacancy rate is around 0.5% and the total space available for rent is 970 sq m and 990 sq m respectively. In contrast, the largest number of unoccupied units can be found in shopping centres located in Radom, Tricity, Białystok and in Silesia. In the majority of these cities, unoccupied units can be found in only one or two centres which are still in the process of seeking tenants (or commercialisation) following their recent openings or which are being prepared for another such process in the near future. The situation is different only in the Silesian market

Shopping centre vacancy in total stock (%) in towns over 200,000 population



Source: PRCH Retail Research Forum, H1 2011

RETAIL RESEARCH FORUM

REPORT H1 2011

(in the Katowice conurbation), where a vacancy rate above 5% was identified for six shopping centres, of which one is currently going through the commercialisation process for the first time. The main cause of the different situation in the Silesian market is the aging of the shopping centres located in that part of Poland and the growing need for giving a new, fresh look to many of the existing properties.

The large scope of the survey measuring vacancy rates for shopping centres, combined with other available indicators describing the performance of shopping centres, allows for determining the vacancy limits separately for the tenant market and the landlord market. The markets where unoccupied leasable area available existing commercial properties is not in excess of 1% and the supply of properties under construction remains low (i.e. below 8-10% of the gross leasable area in a given market) are guided by tenant demand and show a number of characteristics typical of the tenant market,

including growing pressure on rental rates, which is the case, for example, in Warsaw and Wrocław. On the other hand, the markets where vacancy rates for the existing shopping centres do not exceed 2% and where the supply of new commercial properties is low are balanced markets, such as Cracow. Other markets, both those with vacancy rates above 2% (such as Radom) and those with a higher supply of new properties (such as Kielce) are, although the amount of space currently available is low, markets where at least some tenants can enjoy a relative strong position in negotiations with landlords. The character of the commercial property market is different from that of the office space market in terms of defining the tenant market and the landlord market. In the case of shopping centres, it is defined at 2-3%, which depends on the existing supply of such space as well as on the commercialisation of new properties, the overall number of the existing properties and their locations.

6. Tenants and rental structure

Shopping centres in Poland are characterised by a similar tenant mix. A typical shopping centre offers a hypermarket or a supermarket, a few large tenants (known as “anchors”), mostly in the household appliances/audiovideo equipment area, entertainment and recreation, fashion tenants, interior furnishings/equipment and sport equipment. In addition to the large tenants, a typical shopping centre has a food court, restaurants, cafes and a number of smaller

foodservice tenants. PRCH has divided shopping centres tenants into the following categories:

- children's products
- food products
- jewellery and accessories
- DIY goods
- electronics
- fashion
- footwear and leather goods
- services
- foodservice
- interior furnishings/equipment

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REPORT H1 2011

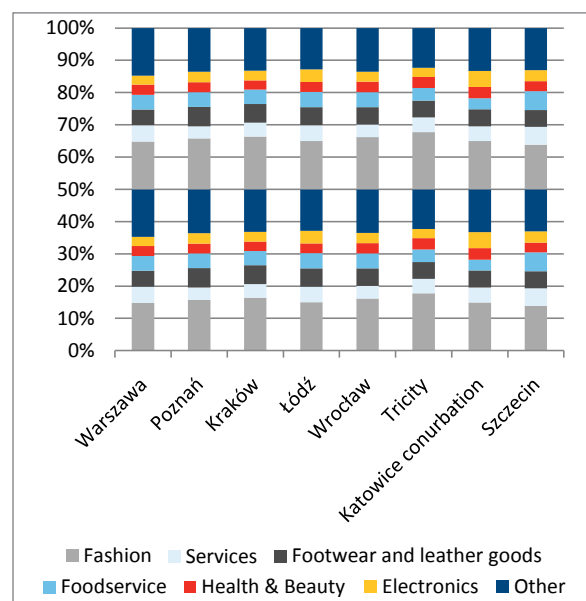
- multimedia
- entertainment and recreation
- health and beauty
- hypermarket/supermarket
- sport
- medical service
- other

An analysis of the shopping centres located in the eight largest urban areas and seven regional cities shows that the majority of tenants are fashion-industry tenants (accounting for approx.30-35% of all tenants). These are followed by footwear and leather goods (approx.10-12%), services (approx.8-11%) and foodservice (approx.7-11%). Some shopping centres, located particularly in the largest cities, also have many tenants in the interior furnishings/equipment area. In addition, the best and largest shopping centres offer a wide range of entertainment and recreation facilities, including cinemas, fitness centres, bowling alleys, entertainment parks, go-karting tracks, and playgrounds for children.

The basic tenant mix of a shopping centre is as follows: a hypermarket/supermarket, a large tenant in the household appliances/audiovideo equipment area, a multimedia-industry tenant, a few tenants offering services (including a laundry service, photocopying, key duplication, current exchange, postal and banking services, plus mobile phone operators). The larger the shopping centre is, the larger number of fashion, footwear, leather goods and foodservice tenants it has.

In Poland, the largest number of tenants can be found in the Warsaw urban area, where nearly 3,150 tenants operate in 42 shopping centres. These figures are considerable higher compared to other Polish cities. Warsaw is followed by the

The major shopping centre categories of tenants in the eight largest urban areas



Source: PRCH Retail Research Forum, H1 2011

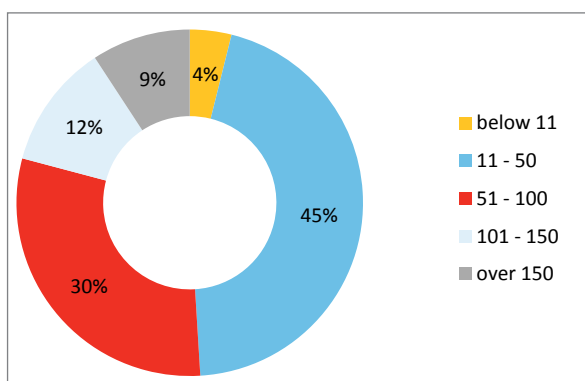
Silesian area, where the number of tenants is 40% lower, as a result of a smaller number of centres (5 properties fewer than in the Warsaw area) and the size of the centres. In third place is Tricity, with 1,400 tenants. A very comparable number of tenants can be found in Poznań and Wrocław (slightly above 1,300 shops), while the cities of Cracow and Łódź have approx. 1,000 tenants each in their shopping centres (1,083 in Cracow and 953 in Łódź). Of the right largest urban areas in Poland, Szczecin is a market with the smallest number of tenants, i.e. 500, which accounts for only 15% of the figure for the Warsaw area. This situation will improve slightly after the opening, scheduled for the second half of 2011, of Galeria Kaskada, which is expected to have approx.140 tenants.

The analysis has revealed that the majority of shopping centres in Poland are centres with

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REPORT H1 2011

**Distribution of shops
in 207 S. C. in %**



Source: PRCH Retail Research Forum, H1 2011

between 11 and 50 units in total (The analysis covered only rented units). As at the end of the first half of 2011, there were more than 90 such shopping centres, which accounted for 90% of all the properties included in the analysis. Shopping centres with between 51 and 100 units represent 30% of the market covered by the analysis. The number of shopping centres with between 101 and 150 units is comparable to the figure for the largest shopping centres with more than 150 tenants (11.5% and 9.2% respectively). In terms of the number of tenants, the leader is definitely the Manafaktura shopping centre in Łódź, with its almost 300 shops. It is followed by Galeria Mokotów, Warsaw, with its 250 units.

A brand-focused analysis of the shopping centres included in the survey shows that the leader is definitely the Inmedio chain of newsagents, namely 400 shops throughout Poland, including 167 in the shopping centres surveyed. Inmedio is followed by mobile phone operators's shops and bureaux de change. The most popular brands, broken down by industry, present in the majority

of the shopping centres are as follows:

**Top brands in 207 shopping centres per
categories**

Brand	Tenant
Multimedia	Inmedio, Empik
Electronics	Plus GSM, Orange, T-mobile, Play, RTV Euro AGD
Services	5 a Sec, Poczta Polska, Mister Minit
Jewellery and accesories	Apart, YES
Footwear and leather goods	CCC, Deichmann
Fashion	Triumph, Orsay, Reserved, Camaieu
Health & beauty	Vision Express, Rossmann, Sephora
Children's products	5.10.15, Smyk
Food service	KFC, Sphinx, McDonald's

Source: PRCH Retail Research Forum, H1 2011

**TOP 10 – the most popular brands present in
the shopping centres included in the survey
(except for mobile phone operators and
bureaux de change)**

Tenant	Presence in analysed S.C.
Inmedio	60,2%
CCC	50,5%
Apart	42,2%
Vision Express	40,3%
Triumph	39,8%
5 a Sec	36,4%
RTV Euro AGD	35,4%
Deichmann	34,9%
Orsay	32,5%
5.10.15	31,5%

Source: PRCH Retail Research Forum, H1 2011

RETAIL RESEARCH FORUM

REPORT H1 2011

7. Sales and consumer sentiment in H1 2011

An analysis of the growth of the amount of modern commercial space in urban areas in Poland should obviously include an examination of the impact of this growth on consumers' purchasing power.

For the purposes of the analysis, we have calculated the average purchase power per one thousand inhabitants and divided this by the following:

- the gross leasable area (GLA) at the existing commercial properties in 2011 per 1,000 inhabitants;
- the future amount of such space by aggregating the areas of both the shopping centres already in operation and those under development, per one thousand inhabitants.

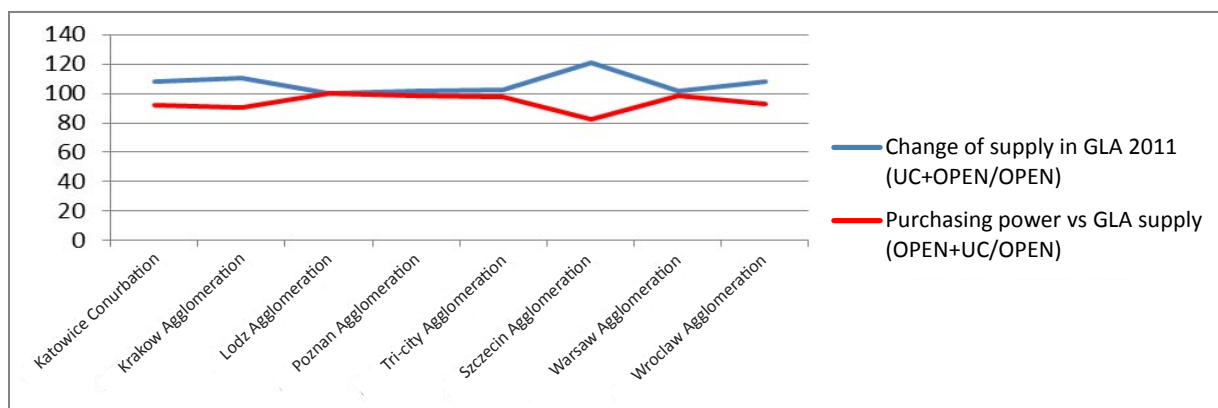
Based on the purchasing power, the present GLA and the future supply of GLA, we have determined the change in the purchasing power of the inhabitants of a town or city per the GLA available in that town or city.

It is quite obvious from the analysis that as the supply of GLA per 1000 inhabitants increases, the purchase power per the GLA available in a town or city decreases.

In other words, an 8% increase in GLA per 1000 inhabitants in the Katowice Conurbation results in a decrease of 8% in the purchasing power per the GLA in that area. In the urban areas where such an increase is not seen (or not planned for the time being), the purchasing power per GLA remains constant.

In the case of the eight largest urban areas, the biggest changes in the 2010-2011 seasons will be seen in Szczecin. There, the planned 21% increase in the supply of modern commercial space will be accompanied by a 17% decrease in the purchasing power of the city's inhabitants per the entire GLA.

What are the practical implications of this? The value of a market as measured by the purchasing power of the inhabitants of the market is constant. Purchasing power is defined as the value of all the goods and services that the inhabitants of a given area can purchase during one year. The pace of



Source: PRCH Retail Research Forum & GfK Polonia, H1 2011

RETAIL RESEARCH FORUM

REPORT H1 2011

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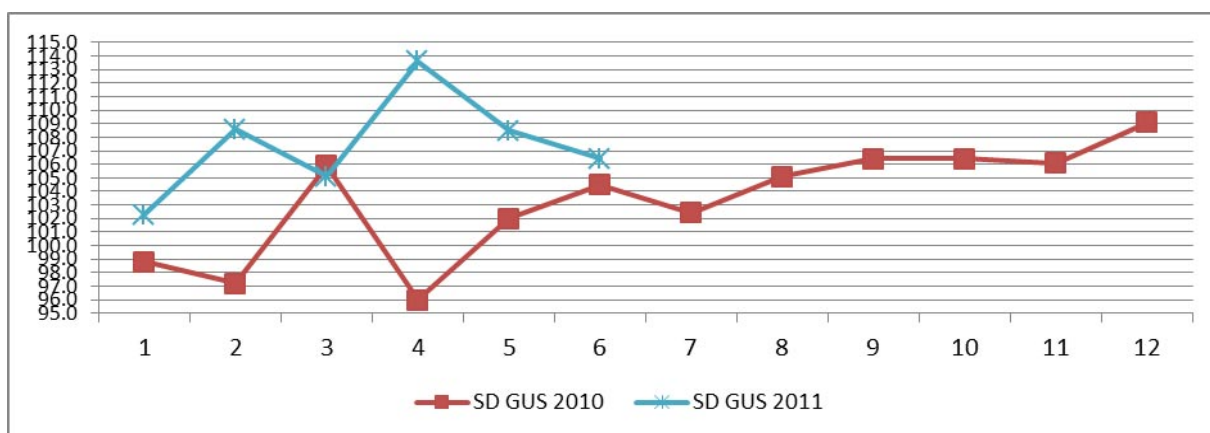
growth of purchasing power is much slower than the pace of growth of GLA. Therefore, each new shopping centre in a given town or city leads to increased competition on the market, with the competitors fighting for the constant value of the purchasing power of the customers of all the shopping centres in that town or city. The directly translates into, for example, property managers having difficulty acquiring customers in markets with a large amount of modern commercial space. As a result of the decrease in the purchasing power per GLA in a town or city, the number of shopping centres in that town or city increases and the potential shopping centre customer, with the same amount of money in his or her pocket, changes his or her shopping behaviour and the money spent previously is now divided among a larger number of shopping centres. Depending on the town or city and the number of the shopping centres in that town or city, the average shopping centre customer goes shopping to two, three or

even five shopping centres. This means that the customer's purchasing power is divided among the shopping centres he or she visits. The value of goods and services purchased is divided among the shopping centres based on the customer's subjective opinion of the attractiveness of the centres.

The arrival of new competitors mostly badly affects (a) older-generation properties, as these find it difficult to compete with the new, modern, larger shopping centres considered by customers as more attractive or (b) shopping centres that are poorly designed and not suited to the needs of the local market.

Specialists should not be surprised by these phenomena, taking into account the stage of the development of the Polish market. They are, however, discussed in many cases where the attractiveness of a particular town or city for a particular project is considered. These phenomena should be taken into account when

Retail sales for goods according to GUS*



Source: Główny Urząd Statystyczny, www.stat.gov.pl

* Retail sales reported by GUS is the sum realized by the sale of commercial and non-commercial entities in various types of commercial buildings.

RETAIL RESEARCH FORUM

REPORT H1 2011

analysing the turnover figures of shopping centres and when considering the causes of any decreases.

It is particularly important if the purchasing power factor is analysed together with factors connected with the economic situation, consumer sentiment, changes in purchasing habits, growing consumer expectations, as well as the changing shopping patterns.

Not every decrease in turnover is necessarily the consequence of negative macroeconomic phenomena or turbulences in the local labour

market. While investigating the causes of lower turnover figures, other factors should also be considered, such as customer behaviour, customers' motives for using a particular shopping centres, or the actual functions performed by the shopping centre for its customers. It is especially important given the fact that the results of the analysis for the first six months of 2011 and the retail sales figures reported by the Polish national statistics bureau (GUS) (including sales growth compared to the same period of 2010) are satisfactory.

8. PRCH Turnover Index for shopping centres in H1 2011

The PRCH Turnover Index as at the end of June was calculated based on figures provided by 78 shopping centres and covering at least 24 months. The index shows turnover per square metre of rented and performing gross leasable area (GLA) as reported by the tenants of the shopping centre. The Turnover Index for June was generated based on figures reported for 981,851 square metres of GLA in 8 industry categories.

The PRCH Turnover Index shows that the average value in H1 2011 was similar to that in the same period of last year. The highest decrease in average sales per sq metre for the 78 shopping centres was recorded in January (-4%). February, as usual, saw lower results compared to the

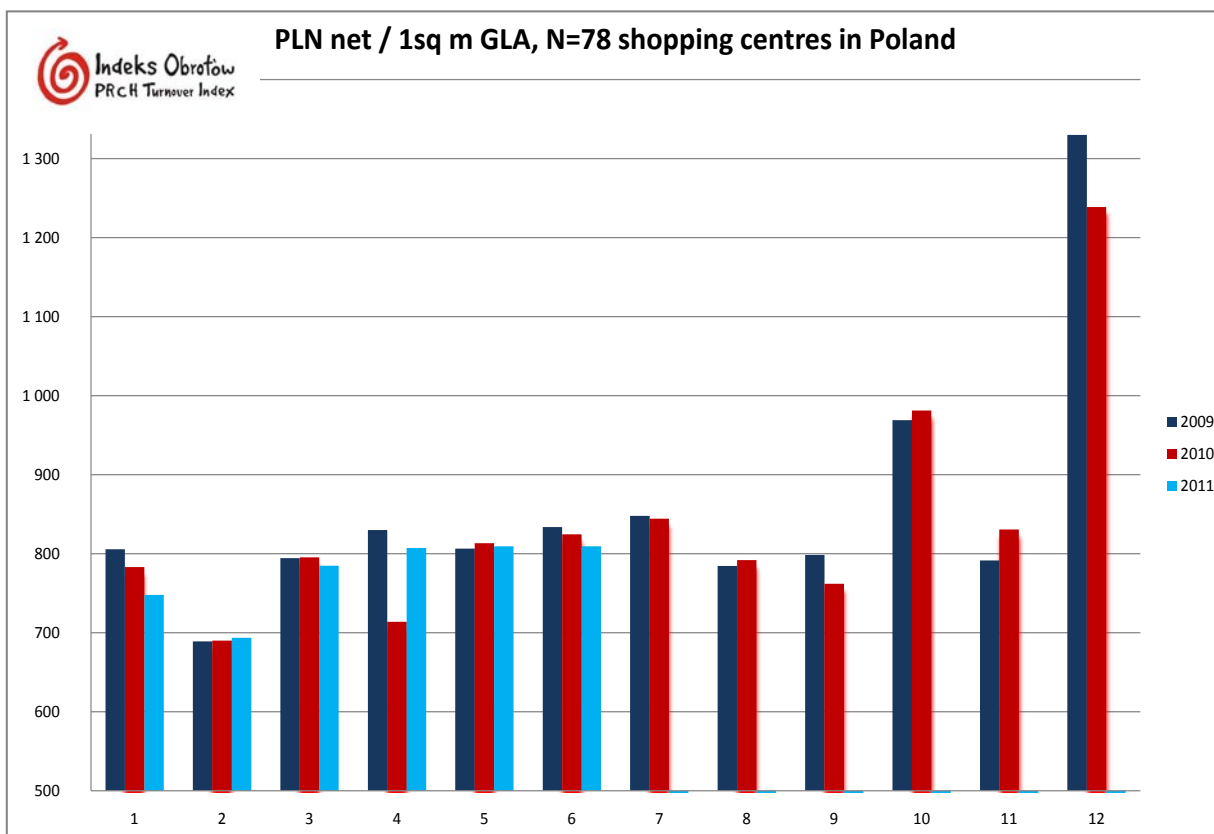
figures for the other months of the first half of the year (less than PLN 700 per sq metre), although the Turnover Index for February increased (by 1%). In April, there was a noticeable increase (by 13%) on a year-to-year basis, after sales collapsed in 2010 (following the closing of shopping centres in connection with the Smolensk air crash). In the other months of the first half of 2011, no significant differences were identified in relation to the level for the previous two years. The Turnover Index for the first six months of this year was slightly higher (+1%) compared to its average value for the first half of 2010.

Below is an overview of the different commercial categories reported as components of the index:

1) Fashion and Fashion Accessories reflect the trend of the main index despite slightly lower values. It is no surprise because fashion is the predominant component of both the tenant mixes of shopping centres and the PRCH Turnover Index.

RETAIL RESEARCH FORUM

REPORT H1 2011



Source: PRCH Retail Research Forum, H1 2011

- 2) The Health & Beauty category generates turnover far below the average value. Also, an upward trend was observed for this category in each month during the first half of 2011 on a year-to-year basis.
- 3) For the Household Articles & Accessories category, sales per square metre in respect of the reporting shopping centres were down by 11% on average compared to the same period of last year.
- 4) The Specialist Articles and Food Products categories continue at stable levels, without any significant changes to the index.
- 5) The Restaurants & Food Sold at Food Courts category experienced an upward trend compared to the same periods of 2010 (except for March 2010).
- 6) For the Services category, sales per square metre in respect of the reporting shopping centres were down by 10% on average compared to the same period of 2010.
- 7) The Entertainment category, although with results lower than in the case of the other categories, saw steady growth in percentage terms (except for January 2011) during the first six months of 2011 compared to 2010.

RETAIL RESEARCH FORUM

REPORT H1 2011



Source: PRCH Retail Research Forum, H1 2011

An analysis of the different categories shows that not all of them are represented at shopping centres and reported for PRCH Turnover Index purposes to the same extent. The table below shows the distribution of the reported GLA (981,851 sq metres) for June 2011 for the 78 shopping centres.

Fashion & Accessories	53%
Household Appliances & Accessories	11%
Specialty Goods	11%
Foods/Groceries/Supermarkets	4%
Health & Beauty	6%
Restaurants/Cafes/Catering	6%
Entertainment	7%
Services	2%

Source: PRCH Retail Research Forum, H1 2011

RETAIL RESEARCH FORUM

REPORT H1 2011

9. 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, CBRE, Colliers International, GfK Polonia **with cooperation 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 Centre - 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 centre", is consistently designed, planned and managed scheme that comprises mainly medium- and large-scale specialist retailers ("big boxes" or "power stores").

Factory Outlet Centre - 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 Tricity 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, Oзарów Mazowiecki, Stare Babice, Łomianki, Izabelin, Błonie, Radzymin, Marki, Żąbki, Kobylka, Wołomin and Zielonka.

Katowice Conurbation: Będzin, Bytom, Chorzów, Czeladź, Dąbrowa Górnicza, Gierałtowiec, 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, Kocmyrów - 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,

RETAIL RESEARCH FORUM

REPORT H1 2011

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).

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REPORT H1 2011

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REPORT H1 2011



Galeria Słoneczna



Galeria Leszno



Galeria Twierdza



Turawa Park



Morski Park Handlowy

