

RETAIL RESEARCH FORUM



**POLSKA RADA
CENTRÓW HANDLOWYCH**
POLISH COUNCIL
OF SHOPPING CENTRES

REPORT H1 2014



Atrium Felicity, Lublin





REPORT H1 2014

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* including traditional shopping centres, retail parks and outlet centres

H1 2014 Report PRCH Retail Research Forum

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Dear Readers,



This report contains detailed analyses of various development factors of the contemporary shopping centre market and was prepared by experts in cooperation with the Polish Council of Shopping Centres

(Polska Rada Centrów Handlowych) under the Retail Research Forum.

The first chapter discusses the pace of development of supply of modern shopping centres in Poland. This year, the GLA limit of 10 million square meters has been surpassed which proves that we are experienced in the development of various formats of shopping centres and the market is becoming more mature and more competitive.

The second chapter discusses the retail space density indicator. Here, Poland ranks somewhere in the middle of the other European countries which mean there is still room for improvement but specific locations have to be subject to a thorough analysis.

Just as the entire retail sector undergoes constant changes, the shopping centres themselves change as well - new formats are developed to meet the needs of the consumers and the shopping centres are built in smaller cities. You will read more about the process in the third chapter.

The next chapter gives an overview of the results of an analysis of the absorption of retail space. What is important, the percentage of vacant retail space in shopping centres has dropped, even though the supply of retail space in Poland is growing.

In the fifth chapter the authors analyse the share of tenants from various industries and explain why it is necessary to encourage more brands and sectors to enter into the shopping centres. It concerns especially those urban agglomerations and cities where there is the highest level of competition determined by the general purchasing power, as shown in chapter 6.

The final chapter contains an overview of the investment transactions. The volume of transactions, the rate of return and the main macroeconomic indicators show that commercial buildings in Poland attract global investors and in this respect Poland is a leader in this part of Europe.

Shopping centres and networks play a significant role in the economy as well as the awareness and customs of Polish consumers. According to the data of PRCH and ICSC shopping centres generate as much as 17% of the overall sales of retail goods in the country and offer employment to over 370,000 people who are employed directly at the shopping centre or by the tenants.

The retail is changing - the number of small shopping facilities, discount stores and supermarkets is growing, online shopping is getting more and more popular and it exerts some influence over the operation of shopping centres. This is why we submit for your consideration a new report which should serve as a basis for further analysis.

Radosław Knap – Deputy General Manager,
New Business & Market Research Manager,
Polish Council of Shopping Centres



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1. Shopping centre space stock in Poland



The first half of 2014 has seen a change in terms of the location of newly opened shopping facilities. Most of the shopping centres opened in smaller cities as opposed to last year when the biggest

number of openings took place in urban agglomerations. The largest facility – Atrium Felicity – put into operation in the last six months and at the same time the largest of the year was opened in March in Lublin. Those planned to be opened before the end of the year and already opened are smaller.

Magdalena Sadal – Senior Research Consultant
Valuation & Advisory, Cushman & Wakefield

In the first half of 2014 245,900 square meters of modern retail space were put into use and the national retail space which comprises the conventional shopping centres, retail parks and outlet centres has reached 10.09 million square meters of gross leasable area (GLA) at the end of June. In June 2014 there were 426 shopping centres operating in Poland.

During the first six months of the year 10 new facilities were put into operation and the expansion of two existing facilities was completed. The area of expansion generated 12% of the overall retail space put into use in the first half of 2014.

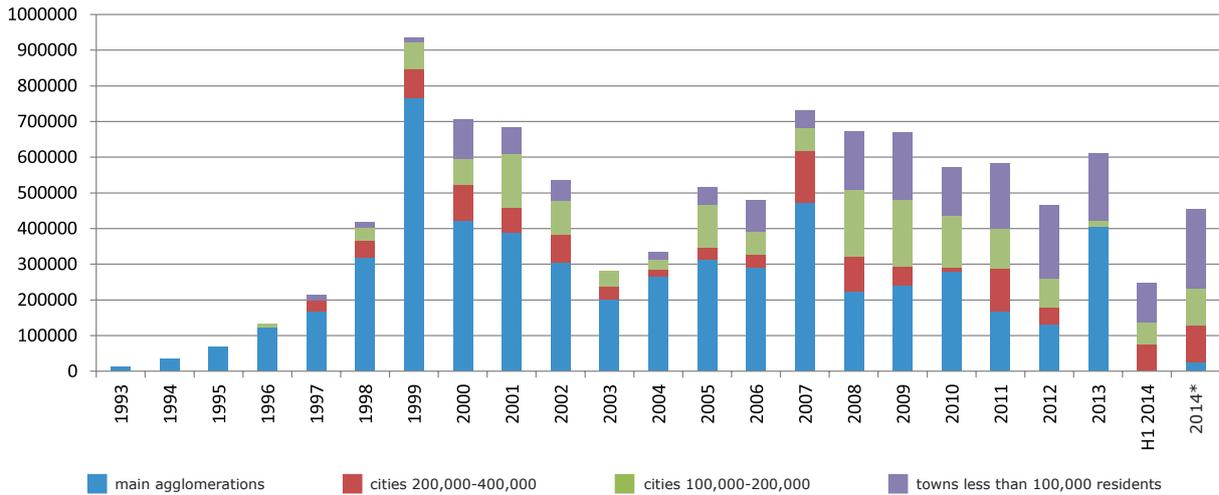
From the beginning of January till the end of

June 206,200 square meters of retail space at conventional shopping centres were put into use. Six new facilities entered the market: Atrium Felicity in Lublin (75,000 m²) – the biggest retail investment of the year, and smaller shopping facilities: Galeria Amber in Kalisz (33,500 m²), Galeria Siedlce in Siedlce (34,000 m²), Galeria Bursztynowa in Ostrołęka (27,000 m²), marcredo Centre Kutno in Kutno (16,000 m²) and Pogodne Centrum in Oleśnica (7,700 m²). Moreover, Gemini Park in Bielsko-Biała had its space increased by 13,000 m² and its total area is now 40,000 m². At the end of June 2014 there were 382 conventional shopping centres in Poland whose total area was 9.07 million square meters (90% of modern retail space in Poland).

One should notice that this year most of the shopping centres were opened in towns and smaller cities. This is the most characteristic feature of this year's supply and the major difference in relation to the previous year when large shopping facilities opened in the largest urban agglomerations (City Centre in Poznań, Galeria Katowicka in Katowice, Galeria Bronowice in Cracow, Europa Centralna in Gliwice and Riviera in Gdynia). Lublin is the largest city (population of almost 350,000) where new retail space was put into use in 2014 (30% of the supply). The other shopping centres which opened in 2014 are situated in cities with a population of around 100,000 or smaller. Oleśnica (population of 37,000) is the smallest town to have a new shopping facility opened. 6% of this year's supply of conventional retail space was generated by the expansion of Gemini Park in Bielsko-Biała (population of 174,000).

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Chart 1. The supply of shopping centre space in Poland in 1993-2014

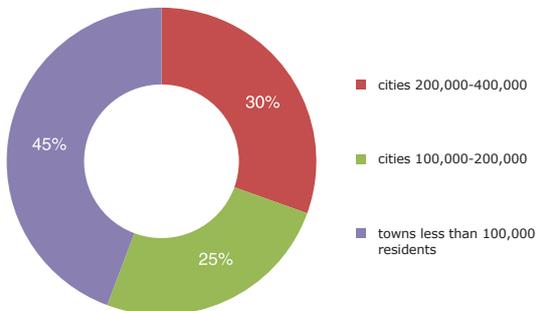


Source: PRCH Retail Research Forum, H1 2014, (2014* - forecast)

As the interest of the developers gradually shifts from large cities to towns, the retail parks are also built there. During the first half of 2014 four shopping facilities of this type were put into use: Karuzela in Lubliniec (population of 24,000) and Turek (population of 28,000), Era Park Handlowy in Radomsko (population of 48,000) and Park Handlowy in Żory (population of 62,000). The

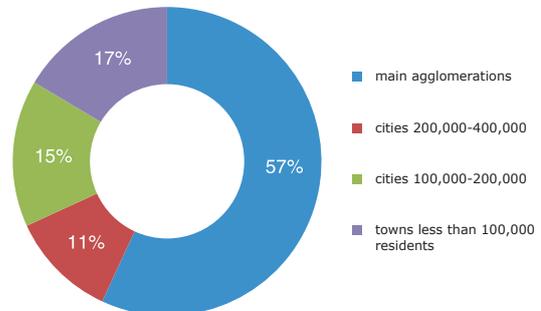
total area of these facilities amounts to 24,200 m² and the area of individual centres ranges from 5,000 m² to 8,500 m². The largest portion of new area in this sector was generated by the expansion of Graniczna shopping centre in Płock – 15,200 m² for home-improvement and gardening retailer Leroy Merlin. At the end of June 2014 there were 35 retail parks in operation

Chart 2. Shopping centres stock area opened in first half of 2014



Source: PRCH Retail Research Forum, 1st half of 2014

Chart 3. Shopping centres stock area in Poland



Source: PRCH Retail Research Forum, 1st half of 2014

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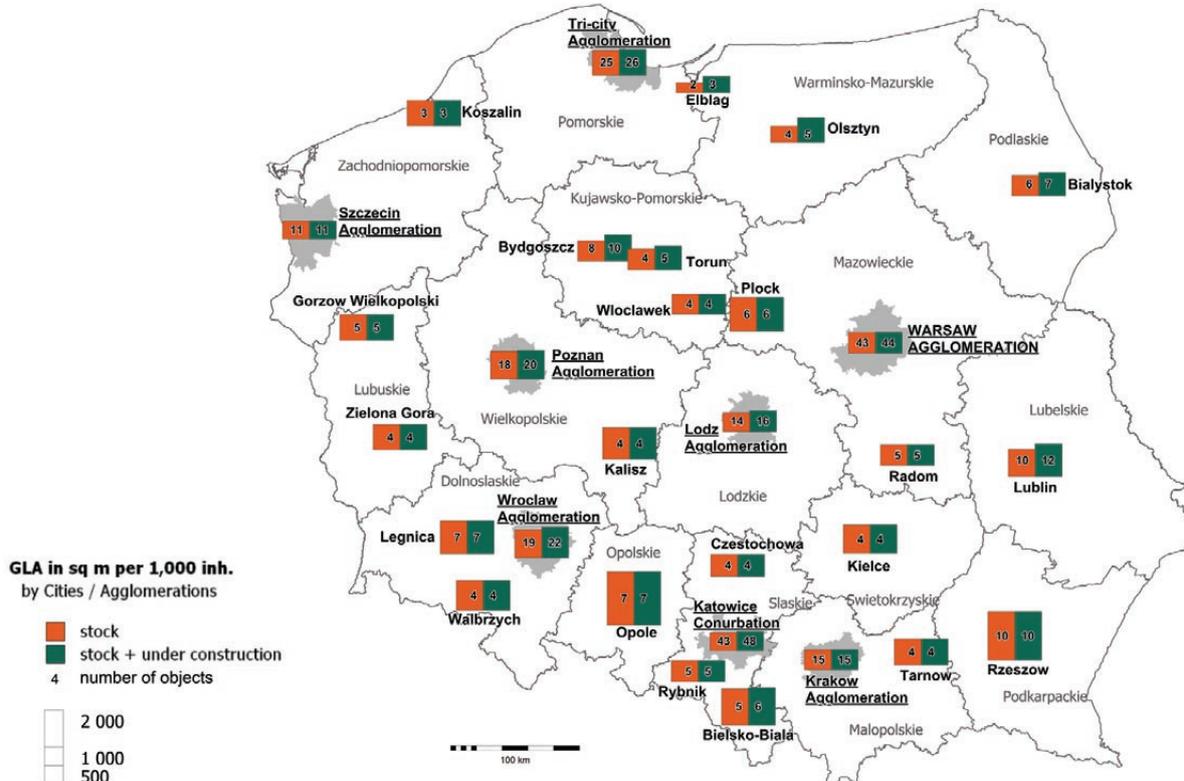
whose total area was 834,000m² (8.3% of the national retail space).

There were no changes in the area of outlet centres during the first six months of 2014. There are 10 facilities of this type in the country and their total area is 167,000 m² (1.7% of retail space): one in Wrocław, Poznań, Cracow, Sosnowiec, Gdańsk, Szczecin and Łódź and three in the Warsaw agglomeration.

Currently, there are 715,000 m² of new retail space under construction of which 30% will be

put into use this year. In all, there will be 19 new facilities of total area of 215,000 m². Shopping centres which will open before the end of 2014 are, among others, Brama Mazur in Ełk, Galeria Warmińska in Olsztyn – the largest to be opened in the second half of 2014, Galeria Dębiec in Poznań, Galeria Winiary in Gniezno, Vivo! shopping centre (new name of Galeria Piła), Galeria Galardia in Starachowice and Outlet Centre in Lublin. New retail parks are planned to be opened before the end of the year in: Kętrzyn,

Chart 4. The structure of supply of retail space in Poland in the first half of 2014 in cities with a population larger than 100,000



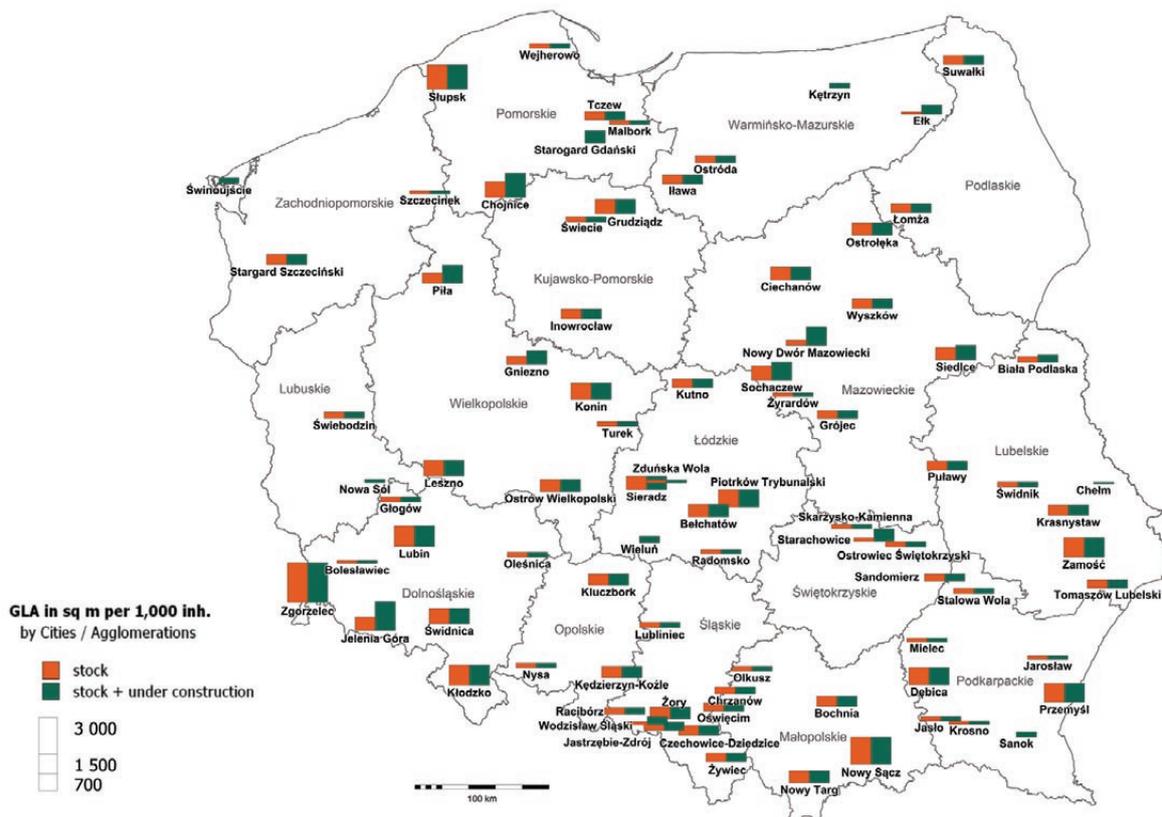
Source: PRCH Retail Research Forum, 1st half of 2014

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Nowa Sól, Siedlce, Chełm, Ruda Śląska, Bielsko-Biała and Łódź. Around 38,000m² of retail space will be put into use this year as a result of the expansion of already existing shopping centres. The biggest investment among those is the expansion (and rebranding) of Galeria Sudecka (former Galeria Echo) in Jelenia Góra (additional 26,000 m²).

Next in line is the expansion of Galeria Rywal in Biała Podlaska (expanded by 12,000 m²) planned for the end of this year which will make the facility twice its present size. The newest data indicates that the total supply of retail space in 2014 will be 460,000 m² which makes it lower by 25% than the record supply of 2013.

Chart 5. The structure of supply of retail space in Poland in the first half of 2014 in cities with a population smaller than 100,000



Source: PRCH Retail Research Forum, 1st half of 2014

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2. Retail space density indicator at the end of the first half of 2014



"At the end of the first half of 2014 the average retail space density indicator in Poland was 262 m²/1000 residents. The first half of the year saw an increase in the statistics mainly in small towns with a population lower than 100,000. The openings in Kutno, Lubliniec, Oleśnica, Ostrołęka and Turek were the first of a kind in these towns."

Agnieszka Tarajko-Bąk – Senior Research Analyst, Research and Consultancy, JLL

At the end of the first half of 2014 the average retail space density indicator in Poland was 262 m²/1000 residents which show an increase of 6 m²/1000 residents in comparison to the second half of 2013.

The average retail space density indicator in eight largest urban agglomerations has dropped by 1 m² in relation to the end of 2013 and at the end of the first half of 2014 it was 579 m²/1000 residents. The change results from the lack of new shopping facilities combined with an increase in the population of these agglomerations.

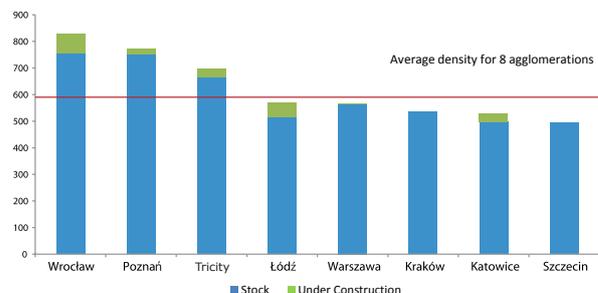
Wrocław (757 m²/1000 residents) and Poznań (753 m²/1000 residents) remain the leaders when it comes to retail space density and

Szczecin is the agglomeration where the lowest retail space density has been observed (494 m²/1000 residents).

The density indicator is expected to grow in the major urban agglomerations and reach 603 m²/1000 residents after retail space which is currently under construction is put into use. The most intense activity in the property development has been observed in the Katowice agglomeration (Supersam in Katowice, Galeria Knurów in Knurów, Galeria Galena in Jaworzno, marcredo Piekary Śląskie in Piekary Śląskie and Ruda Park in Ruda Śląska), in Wrocław (expansion of Magnolia Park and Bielany Wrocławskie), Łódź (Sukcesja shopping centre, Vis a Vis park) and Poznań (Galeria Dębiec, Galeria A2). Moreover, in Gdańsk the construction of Galeria Metropolia began and in Warsaw the expansion of Factory Ursus outlet centre started.

At the end of the first half of 2014 the average retail space density indicator for regional cities (whose population is 200,000 – 400,000) was 619 m²/1000 residents which show an increase of 44 m² in comparison to the data from the end

Chart 6. Retail space density in square meters per 1000 residents in 8 largest urban agglomerations



Source: PRCH Retail Research Forum, 1st half of 2014

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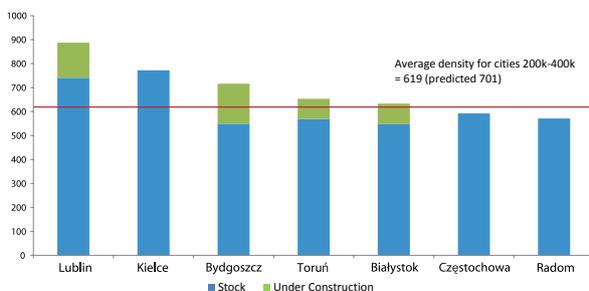
of 2013. This is a result of the opening of Atrium Felicity in Lublin which made the retail space density indicator grow to 741 m²/1000 residents (growth of 224 m²).

Currently, the activity in the commercial property development is very intense. Lublin is still in the area of interests of developers – there are two more investments being realized at the moment (Tarasy Zamkowe and Outlet Centre). Two major shopping and entertainment centres in Toruń and Bydgoszcz are currently being expanded: Galeria Pomorska in Bydgoszcz and Atrium Copernicus in Toruń. In Białystok another shopping centre is under construction – Galeria Jurowiecka.

The average retail space density in regional cities of a population of 100,000 – 200,000 is 799 m²/1000 residents which means it is higher by 35 m² in relation to the second half of 2013. This is a result of the expansion of the shopping centres in Bielsko-Biała (Gemini Park) and Płock (Park Graniczna) and the opening of a new facility in Kalisz (Galeria Amber).

The retail space density level in Olsztyn will reach 679 m²/1000 residents after Galeria

Chart 7. Retail space density in square meters per 1000 residents in cities with a population of 200,000 – 400,000



Source: PRCH Retail Research Forum, 1st half of 2014

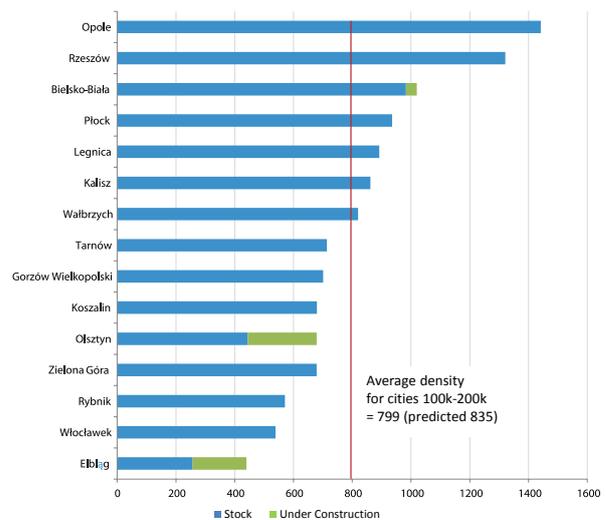
Warmińska opens. In Elbląg it will reach 440 m²/1000 residents when the expansion of the existing Ogrody shopping centre is completed. Despite the increase in the retail space Elbląg will remain a city with the lowest retail space density level in its category.

After all the projects which are currently at the implementation stage are completed, the average retail space density indicator for this category of cities will reach 835 m²/1000 residents.

When it comes to towns with a population of 100,000 or lower the density indicator oscillates between 84 m²/1000 residents and 1637 m²/1000 residents (only those markets where modern retail facilities operate or are under construction were subject to the analysis).

During the first half of 2014 the situation on the modern retail facilities market in a few

Chart 8. Retail space density in square meters per 1000 residents in cities with a population of 100,000 – 200,000



Source: PRCH Retail Research Forum, 1st half of 2014

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towns changed considerably due to the opening of locally significant shopping facilities. The examples are:

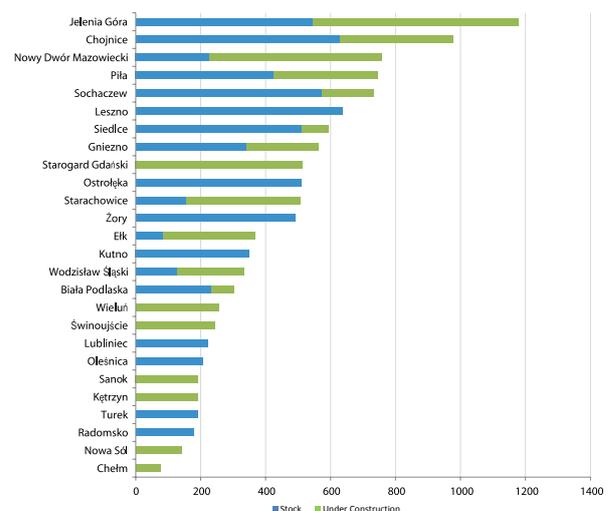
- Siedlce – after the opening of Galeria Siedlce an increase to 513 m²/1000 residents;
- Ostrołęka – after the opening of Galeria Bursztynowa in May 2014 the density indicator reached 510 m²/1000 residents;
- Żory – after the opening of Park Handlowy Żory in April 2014 the density indicator reached 492 m²/1000 residents;
- Kutno – after the opening of marcredo Centre Kutno, the first shopping centre in the city, the indicator reached 350 m²/1000 residents;
- Lubliniec – after the opening of Karuzela Park Lubliniec it reached 222 m²/1000 residents;
- Oleśnica – after the opening of Pogodne Centrum in May 2014 there was an increase to 206 m²/1000 residents;
- Turek – after the opening of the first retail park in the city, Karuzela Park Turek, the density indicator reached 190 m²/1000 residents;
- Radomsko – after the opening of Era Park Handlowy the indicator reached 178 m²/1000 residents.

Currently, the most intense activity when it comes to construction is observed in cities such as:

- Jelenia Góra – overall renovation and expansion of the existing Echo centre. In its place there will be Galeria Sudecka. Also, a new shopping centre is being built in the city – Nowy Rynek;

- Starogard Gdański – the first shopping centre in the city is under construction – Galeria Neptun;
- Piła – Vivo! Shopping centre is under construction (the old name was Galeria Piła);
- Gniezno – Galeria Winiary is under construction;
- Biała Podlaska – Rywal shopping centre is being expanded;
- Ełk – Brama Mazur is the first modern shopping facility in the city;
- Starachowice – a new shopping and entertainment centre is under construction – Galardia;
- Sanok – the construction of Galeria Sanok has begun;
- Świnoujście – Galeria Świnoujście is under construction;

Chart 9. Retail space density in square meters per 1000 residents in selected cities with a population smaller than 100,000



Source: PRCH Retail Research Forum, 1st half of 2014

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- Wodzisław Śląski – a new shopping centre Stara Kopalnia is being built. The developers are still interested in smaller markets. The number of small towns where modern shopping facilities are built is growing but there are still blank spots on the map. This report covers the first six months of 2014.

It does not take into consideration the growth of retail space density caused by new openings in the second half of the year i.e. the opening of shopping facilities in the following cities: Olsztyn (Galeria Warmińska), Ełk (Brama Mazur), Kętrzyn (STOP.SHOP.) and Nowa Sól (Park Handlowy Saller).

3. Shopping centre formats in Poland



"Over the last years we have observed evolution and diversification of the shopping centre formats realized in Poland. The format that is getting more and more popular is a shopping centre combined with a communication centre

where the shopping facility uses the natural flow of people generated by bus or railway stations. The other popular format is the so-called convenience centre, a small shopping centre situated within a district of a large urban agglomeration or in a town."

Kamila Wykrota - Director,
Consulting & Research, DTZ

One can distinguish three formats of retail space: a conventional shopping centre, a retail park and an outlet centre. From the very beginning of the development of modern retail space in Poland the most popular shopping centre format has

been a conventional shopping centre. At the end of the first half of 2014 they made for over 90% of entire retail space on the Polish market. The remaining 10% is shared by retail parks (8%) and outlet centres (2%).

Although conventional shopping centres clearly prevail on the market, there is a high degree of diversity within this group. It includes facilities whose space range from 5,000 m² to over 100,000 m². However, the largest share is represented by medium-sized facilities (19,999 – 40,000 m²) – almost 40% of the entire format.

In the last years we have observed diversification of realized conventional shopping formats. The examples are shopping facilities integrated with communication centres (Poznań City Centre, Galeria Katowicka, Galeria Olsztyn Główny at the planning stage) which use the natural flow of people generated by bus stations and railway stations, or small convenience centres situated within a district of a large urban agglomeration (e.g. Ferio Wawer planned to be built in Warsaw) or in smaller towns (e.g. Dekada Grójec, Pogodne Centrum in Oleśnica).

The retail park sector is dominated by large

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Table 1. Modern retail space by formats

Format	Supply in the 1 st half of 2014 (m ²)	Total supply at the end of the 1 st half of 2014 (m ²)	Share in retail space (m ²)
Conventional shopping centres	206 000	9 095 000	90%
Retail parks	40 000	834 000	8%
Outlet centres	0	166,000	2%
Total	246 000	10 095 000	100%

Source: PRCH Retail Research Forum, 1st half of 2014

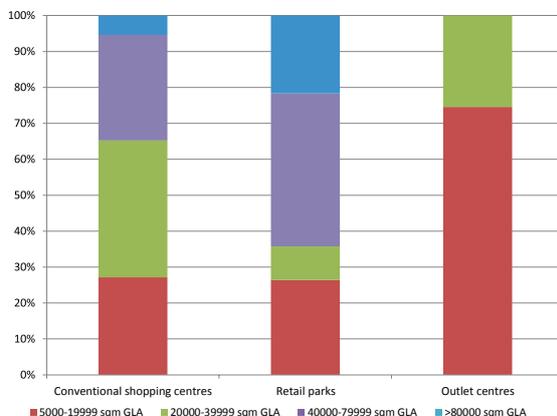
shopping facilities. Out of the 35 existing retail parks, 8 have a space of more than 40,000 m² which makes for 43% of the volume of the format in Poland. However, one should observe that those are mainly facilities built in 1995 – 2004 and expanded in the later years. Retail parks which opened in the last 2.5 years are small facilities whose space is around 5,000 m². 11 out of 15 of investments completed during that time have a space that does not exceed 10,000m². In the first half of 2014 alone, the market was enriched with 4 new small retail parks whose average

leasable space is 6,000 m² (Era Park Handlowy in Radomsko, Karuzela Park in Lubliniec and Turek, Park Handlowy Żory).

The outlet centres are similar in size – their space ranges from 12,000 to 22,000 m². In Poland there are currently ten outlet centres in operation. All of them are situated in the eight largest urban agglomerations. The first outlet centre to be situated in a city whose population is smaller than 400,000 will open in Lublin – Outlet Centre Lublin (12,100 m²). The facility is currently under construction.

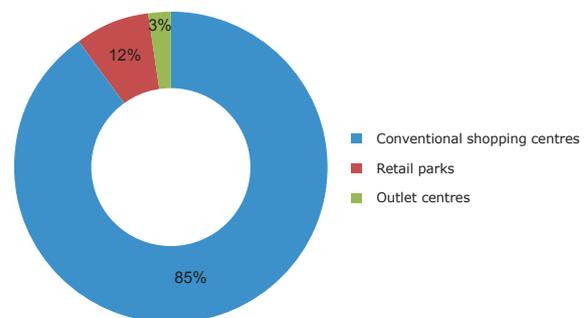
When one looks at the retail space which is currently under construction, the decreasing

Chart 10. Shopping centre formats by size



Source: PRCH Retail Research Forum, 1st half of 2014

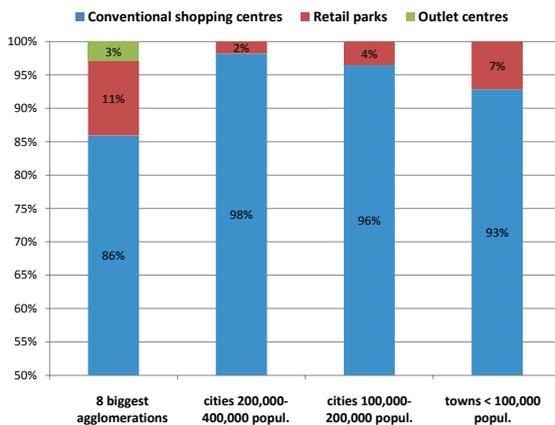
Chart 11. Shopping centres under construction by format and size



Source: PRCH Retail Research Forum, 1st half of 2014

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Chart 12. The diversity of shopping centre formats



Source: PRCH Retail Research Forum, 1st half of 2014

share of conventional shopping centres is noticeable. The format still dominates the scene (85%), however, 87,000 m² (12%) of retail space under construction is made up

by shopping parks (the expansion of existing facilities included).

As the development of modern retail space has begun in the largest urban agglomerations they have the most diverse markets in terms of available shopping formats. The outlet centres and the largest shopping centres operate here. Smaller towns which until recently have been dominated by conventional shopping centres currently experience the diversification of shopping formats. The number of shopping parks built in cities whose population is smaller than 100,000 is clearly growing.

4. Shopping centre vacant retail space indicator



"The percentage of utilized space for the 15 largest cities in Poland has dropped to 3% at the end of the first half of 2014 after a year of oscillating around 3.5%. The current data and trends are viewed positively especially

when compared with the data from the USA where the percentage of vacant retail space remains at the level of 11%."

Agata Czarnecka – Associate Director,
Research & Consultancy, CBRE

The percentage of vacant retail space was measured at the end of the first half of 2014 in 229 shopping centres situated in 15 largest cities and agglomerations in Poland which jointly offer 6.8 million square meters of retail space and make for 70% of modern retail space in Poland.

Apart from the eight largest markets – Warsaw,

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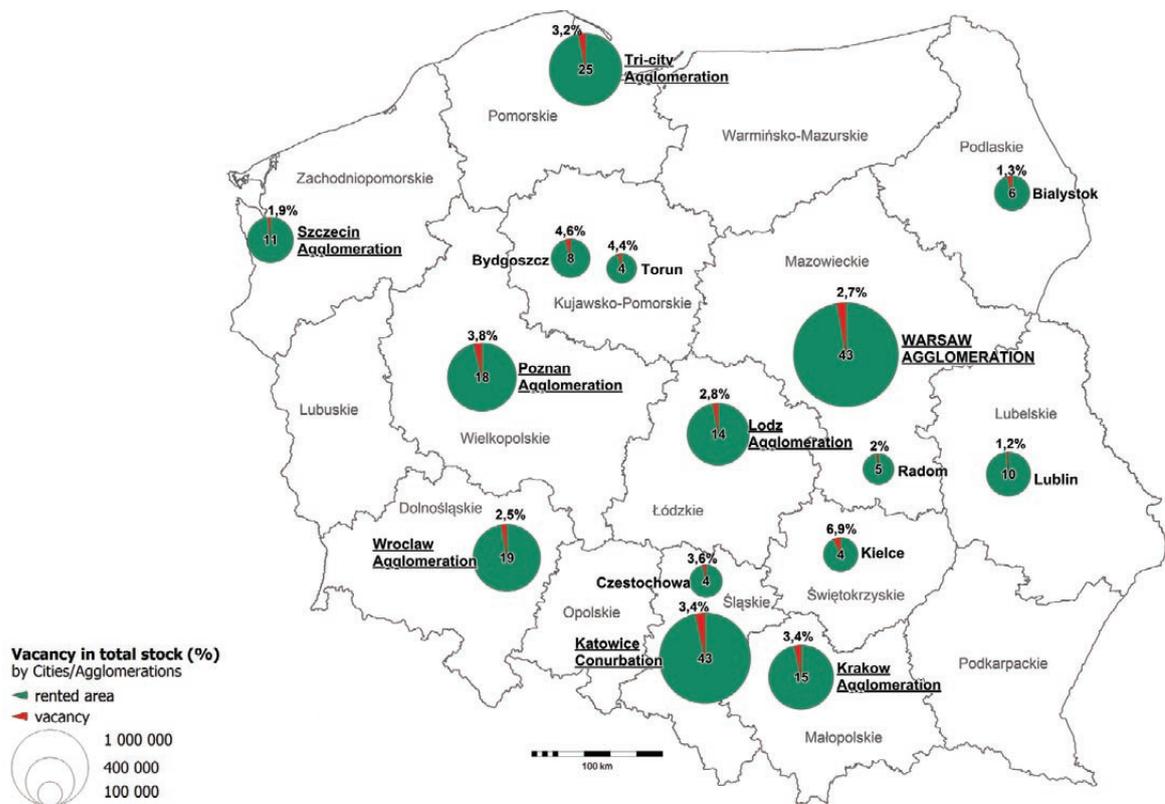
Katowice, Tricity, Wrocław, Poznań, Cracow, Łódź and Szczecin, the study covered cities with a population of 200,000 – 350,000, such as Bydgoszcz, Białystok, Kielce, Lublin, Częstochowa, Radom and Toruń. The vacant retail space indicator remains one of the most effective demand indicators on the commercial property market.

The percentage of vacant retail space in the majority of cities and agglomerations included in the study did not change considerably or went down.

At the end of June 2014 the lowest vacant retail space indicator (below 2%) was observed in Lublin, Radom and Białystok. For each of these cities the percentage of vacant retail space dropped in relation to the data from the study conducted at the end of 2013. Despite considerable supply of new retail space in Lublin, the vacant space indicator dropped from 3.6% to 1.2%.

In Warsaw the vacant retail space indicator is comparable to that recorded in the middle of 2013 – 2.7%. The situation on the market in

Chart 13. Vacant retail space indicator in 15 largest Polish cities



Source: PRCH Retail Research Forum, 1st half of 2014



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the capital is stable and the main factor which affects the vacant retail space indicator is the modernization of existing facilities, e.g. Centrum Krakowska 61 where Praktiker hypermarket ceased its operation.

In the Wrocław and Poznań agglomerations the vacant retail space rate oscillates between 2.5% - 3%, whereas in smaller cities, such as Bydgoszcz and Toruń, it is slightly higher – 4.4% - 4.6%.

The market of Tricity is very stable – the vacant retail space indicator has remained at a comparable level for 1.5 years – from 3.5% at the end of 2012, through 3.4% in the middle and at the end of 2013 to 3.2% in the middle of 2014. The market in Szczecin seems to be equally stable – the percentage of vacant retail space has slightly increased at the end of the first half of 2014 due to the opening of a new retail space and it has reached 3%.

In Cracow, the percentage of available retail space has dropped from 4.9% at the end of 2013 to 3.4% in the present study which confirms that the retail space in newly opened shopping facilities is gradually being leased.

When it comes to the eight largest urban agglomerations the percentage of vacant retail space has dropped from 3.3% recorded six months earlier to 3%. For smaller cities with a population of 200,000 – 300,000 the percentage of vacant retail space dropped to 3.7% after a year of oscillating between 4.6% and 4.7%.

During the previous year the average percentage of vacant space in Poland in all cities covered by the study was 3.5%. At the end of June 2014 it dropped to 3%. The

current data concerning the absorption of retail space in Poland is optimistic. One should not compare the situation on the Polish market to the situation in the USA where the vacant retail space indicator is more than three times as high as in Poland.

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5. Tenants and leasing structure in Polish shopping centres



Despite its dynamic development, the shopping centre market in Poland is still not diverse enough. The shopping facilities that prevail are still of the "hypermarket plus a shopping centre" type where the number of shops

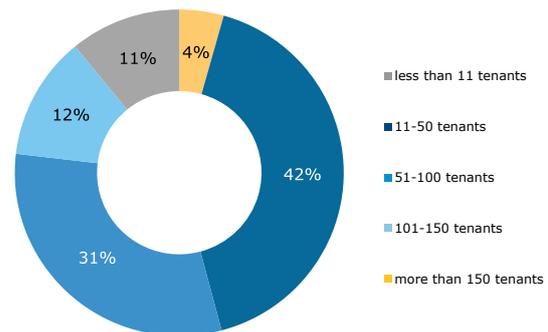
does not exceed 50 and their space makes for 46% of the supply. There is a lot of brands whose presence in shopping centres is frequent. The development of various food outlets, both individual and parts of a chain, is a reason to be pleased. What the Polish market needs now is a stimulus for further development in terms of quality rather than quantity.

Dominika Jędrak – Director, Colliers International

At the end of the first half of 2014 in the eight largest urban agglomerations in Poland and seven largest regional cities (population of 200,000 – 400,000) there were in all 229 modern shopping facilities where in all 16,400 tenants operated.

The largest group (42%) is made up of shopping centres that have 11 to 50 retailers and service providers and 51 to 100 tenants (31%). The largest shopping facilities (over 150 tenants) represented 11% of the shopping centres analyzed, whereas only 10 shopping facilities (4%) had fewer retailers and service providers than 11.

Chart 14. The structure of shopping centres (n=229) according to the number of tenants

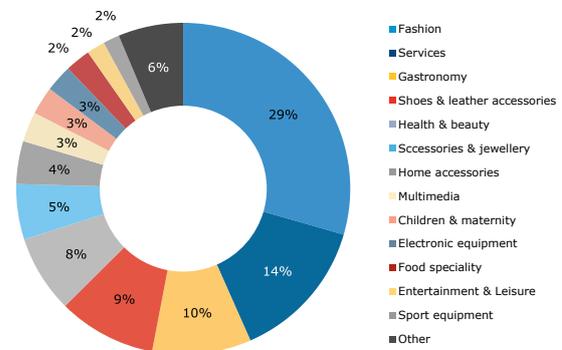


Source: PRCH Retail Research Forum, 1st half of 2014

Clothing retailers formed the largest group (29%) among the tenants in the shopping facilities in question. Then, there were the service providers (14%) and food outlets (10%) and the shops which offer shoes and leather accessories (9%). There were also large numbers of health and beauty shops (8%) and jewellery and accessories retailers (5%).

The percent distribution of the most popular industries was similar for shopping centres

Chart 15. The structure of shopping centres according to the number of shops

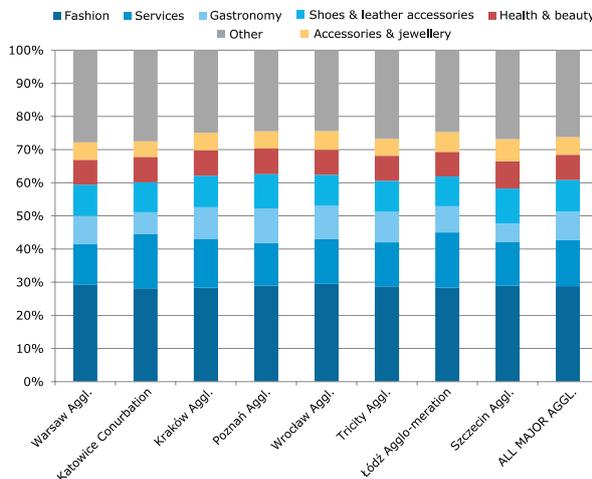


Source: PRCH Retail Research Forum, 1st half of 2014

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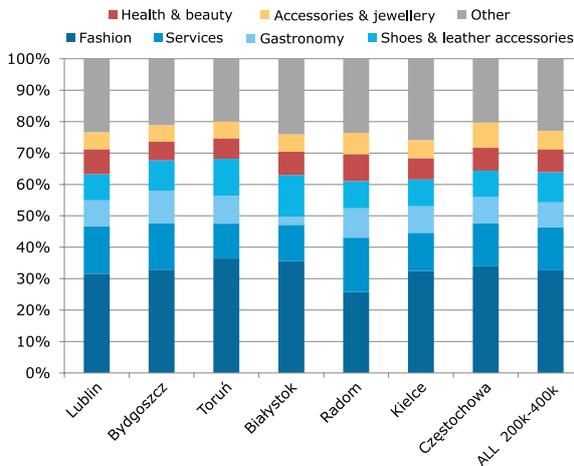
situated in the largest Polish agglomerations and smaller cities with populations of 200,000 – 400,000. However, one should notice the slightly

Chart 16. The structure of tenants – largest agglomerations



Source: PRCH Retail Research Forum, 1st half of 2014

Chart 17. The structure of tenants: cities with a population of 200,000 – 400,000



Source: PRCH Retail Research Forum, 1st half of 2014

higher share (on average by 4%) of clothing retailers in regional cities.

The largest markets among the principal Polish agglomerations are the Warsaw Agglomeration (43 shopping centres, more than 3,200 shops), the Katowice urban area (43 shopping centres, more than 2,300 shops) and the Tricity Agglomeration (25 shopping centres, more than 1,700 shops). These markets have grown stronger during the last 12 months thanks to the opening of new facilities, e.g. Plac Unii City Shopping in Warsaw, Galeria Katowicka in Katowice or Centrum Riviera in Gdynia. These facilities have increased the number of tenants in the agglomerations by 65, 210 and 200 shops respectively.

Among the regional cities the largest market is that of Lublin which is a leader in terms of the number of shopping facilities (10) and the number of tenants (around 730). The Lublin market has grown mainly thanks to the completion of the Atrium Felicity project (around 125 new shops) which took place in the first quarter of 2014. The second market among the regional cities is that of Bydgoszcz (8 shopping facilities, around 420 tenants). In terms of the number of shops Kielce took a place between Lublin and Bydgoszcz with around 470 shops operating in 4 shopping centres.

Similarly to the corresponding period of 2013, at the end of the first half of 2014 Manufaktura in Łódź had the widest offer with around 310 shops. Among the leaders there were also Galeria Krakowska (almost 300 shops), Silesia City Centre in Katowice (over 270 shops),

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Galeria Mokotów in Warsaw (almost 260 shops), Galeria Echo in Kielce (around 250 shops) and Arkadia in Warsaw (around 230 shops).

The tenant that had the largest number of points of sale in the said shopping centres is

the Inmedio chain which is currently present in 72% of the shopping centres covered by the study. Other popular brands include: CCC, Apart, Rossmann and Reserved, which have their shops in 64%, 51%, 49% i 46% of the said shopping facilities respectively.

Table 2. 10 most popular brands in the shopping centres covered by the study*

Tenant	Industry	Presence in the analysed shopping centres
Inmedio	Multimedia	72%
CCC	Shoes and leather accessories	64%
Apart	Jewellery and accessories	51%
Rossmann	Health and beauty	49%
Reserved	Clothing	46%
Deichmann	Shoes and leather accessories	44%
5aSec	Services	42%
Vision Express	Health and beauty	40%
Triumph	Clothing	40%
Orsay	Clothing	38%

* excluding the mobile network operators, bureaux de change and pharmacies

Source: PRCH Retail Research Forum, 1st half of 2014

Table 3. The most popular brands in the shopping centres according to the industry*

Industry	Tenant	Presence in the analysed shopping centres
Clothing	Reserved	46%
	Triumph	40%
	Orsay	38%
Shoes and leather accessories	CCC	64%
	Deichmann	44%
	Wojas	33%
Jewellery and accessories	Apart	51%
	YES	29%
	Swiss	27%
Children's products	Smyk	25%
	5.10.15	25%
	Cocodrillo	20%
Health and beauty	Rossmann	49%
	Vision Express	40%
	Sephora	33%

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Table 3 continuation

Industry	Tenant	Presence in the analysed shopping centres
Multimedia	Inmedio	72%
	Empik	37%
	Matras Księgarnie	26%
Electronics	RTV Euro AGD	37%
	Fotojoker	19%
	Komputronik	10%
Interior design	Home & You	24%
	Jysk	15%
	Duka	13%
Food	Grycan	32%
	KFC	28%
	McDonald's	28%
Services	5aSec	42%
	Poczta Polska	36%
	Mister Minit	22%

* excluding the mobile network operators, bureaux de change and pharmacies

Source: PRCH Retail Research Forum, 1st half of 2014

6. Retail space supply and purchasing power of city residents



- PLN 52,000, PLN 38 000, PLN 33,000 and PLN 56,000 are the average values of purchasing power of consumers taking into consideration the utilized retail space in shopping centres and the space which is currently under construction (GLA) in 8 agglomerations, cities with a population of 200,000 – 400,000, cities with a population of

100,000 – 200,000 and towns whose population is smaller than 100,000 respectively.

- The smaller the purchasing power per GLA, the bigger the competition between the shopping centres to win the money of the consumers.
- The bigger the purchasing power per GLA, the richer and less saturated the market. One should note that the potential of small towns is a result of providing the average value of the sum of their individual potentials.
- The general purchasing power which demonstrates the level of competition reflects the net income of the consumers which means that their money is spent in places other than shopping centres as well.

Przemysław Dwojak – Department Director,
Customer Analytics & Sales Strategies,
GfK Polonia

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The GfK General Purchasing Power when set against GLA supply enables one to determine the degree of market saturation, its flooding or a potential for new investments. One should remember though that this is just a statistical analysis which compares two parameters which are important but not the only ones that determine the potential for new investments. The GfK General Purchasing Power reflects the potential net income of the consumers and includes all types of consumption – therefore, it is not limited to the shopping done at a shopping centre.

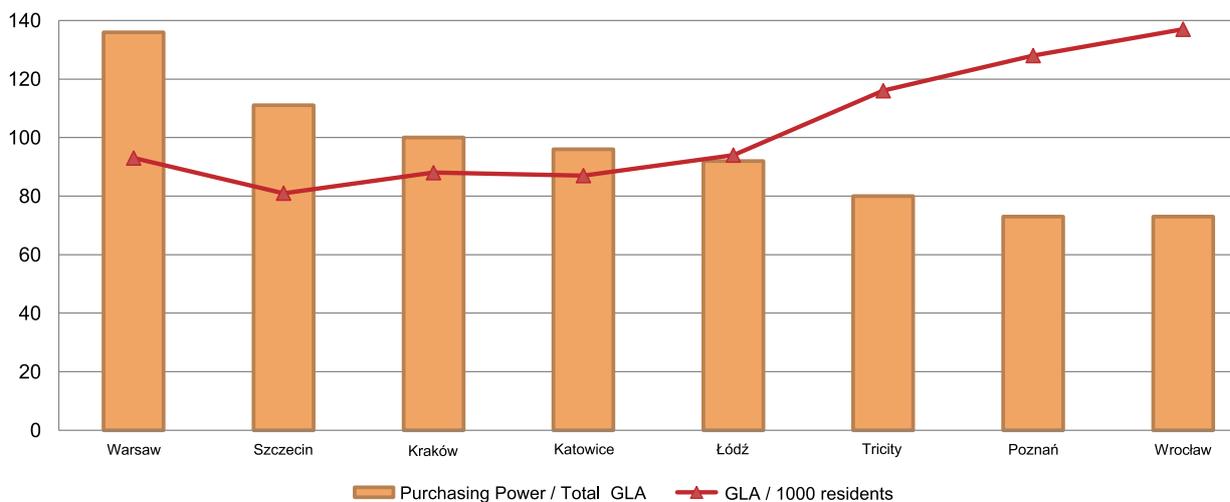
In the 117 cities and agglomerations which were examined and which have or will have shopping centres, the average amount of money per one square meter of GLA is PLN 48,000. The amount varies between the groups of cities of different sizes. The smaller the amount per one square meter of GLA, the more saturated and

competitive the market, or simply a poor market. The more competitive the market, the more difficult it is to win the loyalty of consumers and ensure that they will frequently spend money at a given facility.

In the eight agglomerations defined by RRF the average pool of money per one square meter of existing retail space or retail space under construction is PLN 52,000 (100 on the chart). If we adjust the indexes for particular agglomerations in relation to the average, the information about the degree of market saturation will emerge. To provide a comparison, the GLA saturation per 1000 agglomeration residents has been adjusted in relation to the average of 603 square meters (line chart) of GLA per 1000 people.

The agglomerations covered by the study are divided into three natural groups. The Wrocław, Poznań and Tricity agglomerations are mature

Chart 18. GfK General Purchasing Power per 1 m² of GLA in 8 largest urban agglomerations



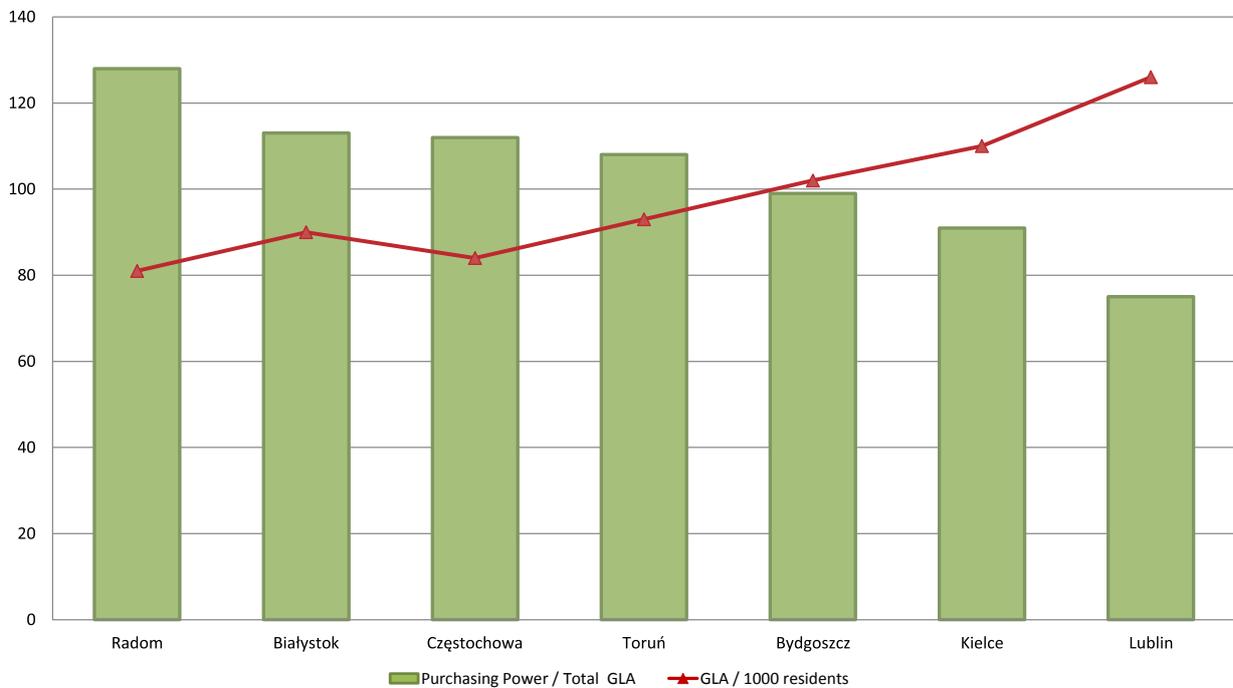
Source: PRCH Retail Research Forum, 1st half of 2014

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and saturated markets where the general purchasing power per overall GLA supply is below the average. The market saturation of the Łódź and Cracow agglomerations and the Katowice urban area oscillates around the average values (due to both the amount of money per one square meter of GLA and GLA per 1000 residents). Based on these parameters the markets of the Warsaw and Szczecin agglomerations demonstrate the highest retail space absorption capabilities. In the case of cities with a population of 200,000 – 400,000 the amount of money per one square meter of existing retail space or retail space under construction is PLN 38,000.

The most mature market of those analysed is the market of Lublin whose supply of GLA has grown considerably after the opening of Atrium Felicity. The current competition level on the Lublin market is the highest within the analysed group of cities. The markets of Bydgoszcz, Toruń and Kielce remain close to the average. Theoretically speaking, the greatest absorption capabilities were observed in Radom, Białystok and Częstochowa. The average amount of money per one square meter of retail space in cities with a population of 100,000 – 200,000 is PLN 33,000. An undisputed leader here is Elbląg where currently the amount of money of the

Chart 19. GfK General Purchasing Power per 1 m² of GLA in cities with a population of 200,000 – 400,000



Source: PRCH Retail Research Forum, 1st half of 2014

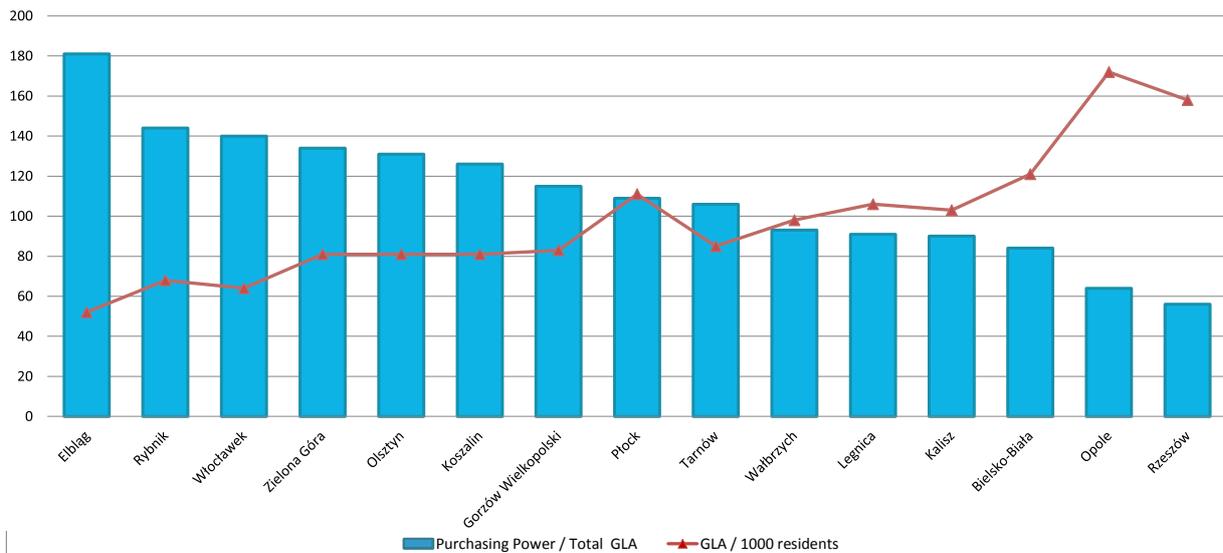
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consumers per one square meter of GLA exceeds by 80% the average values observed in cities of a similar class. Theoretically speaking, potential for new retail space has been observed in Rybnik, Włocławek, Zielona Góra and Koszalin. The most mature and saturated markets are those of Rzeszów, Opole and Bielsko-Biała.

Cities with a population smaller than 100,000

form the largest group among those analysed. The purchasing power per one square meter of the existing retail space or retail space under construction in the 84 cities is around PLN 56,000. The value exceeds that observed in the agglomerations as a result of low market saturation and large differences in potential between the towns which should receive a more individual treatment.

Chart 20. GfK General Purchasing Power per 1 square meter of GLA in cities with a population of 100,000 – 200,000



Source: PRCH Retail Research Forum, 1st half of 2014

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7. Investment transactions on the retail market in Poland



„In the first half of 2014 the value of investment transactions on the retail market in Poland was EUR 350 million. The most significant investment was the acquisition of Poznań City Centre by Resolution Property fund

and ECE – the value of the transaction was EUR 220 million.”

Małgorzata Gajuk - Polish Council of Shopping Centres, ICSC European Research Group

Polish commercial property still remains in the area of interests of foreign investors and attracts the majority of investment capital that arrives

to the countries of Central and Eastern Europe thanks to stable economy, growing GDP, liquidity on the commercial property market and available sources of financing.

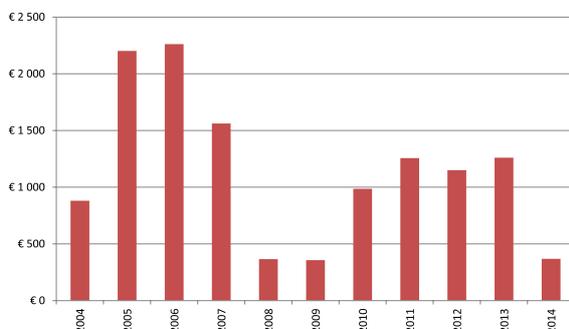
In the first half of 2014 the total value of investment transactions on the commercial property market in Poland was around EUR 1.4 million where 50% of the capital was an investment into office buildings and 25% was an investment into storage facilities. The investment into retail property amounted to EUR 350 million (25%).

It is estimated that the total value of investment transactions in 2014 will be EUR 3.5 million and if all the projects which are currently at the due diligence stage are completed before the end of the year it may even reach EUR 4 million.

The most significant transaction was the acquisition of Poznań City Centre (58,000 m² of GLA) by the Resolution Property fund and ECE for the total amount of EUR 227 million.

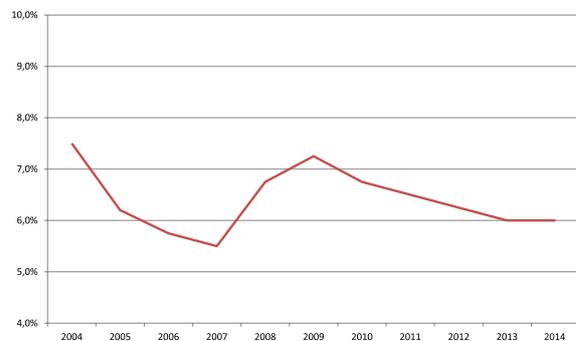
The investors are becoming more and more interested in regional cities which is reflected by recent transactions in cities such as:

Chart 21. The volume of investment transactions in the retail sector (2004- 1st half of 2014)



Source: PRCH Retail Research Forum, 1st half of 2014

Chart 22. Prime capitalization rates in the retail sector (2004 – 1st half of 2014)



Source: PRCH Retail Research Forum, 1st half of 2014



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Płock (the acquisition of Galeria Mazovia by CBRE Global Investors), Gorzów Wielkopolski (the acquisition of 50% of shares in Nova Park shopping centre by the Hungarian fund Futureal) and Ostrowiec Świętokrzyski (the

acquisition of Galeria Ostrowiec by First Property fund).

The capitalization rate in the retail sector for prime type property is quite stable and is currently around 6.00%.

Table 4. Major investment transactions in the shopping centre sector in the first half of 2014

SHOPPING CENTRE	GLA	CITY	PRICE (MLN EUR)	BUYER	SELLER
Poznan City Centre	58,000	Poznań	227	Resolution Property, ECE	Trigranit, Europa Centralna
Galeria Mazovia	25,000	Płock	70	CBRE GI	Lewandpol
50% of shares in Nova Park	38,000	Gorzów Wielkopolski	37	Futureal	Caelum
Galeria Ostrowiec	15,000	Ostrowiec Świętokrzyski	22	First Property	USS

Source: PRCH Retail Research Forum, 1st half of 2014

8. About PRCH Retail Research Forum

PRCH Retail Research Forum (RRF) is represented by a group of professional analysts and consultants who have been active for many years on the retail property market: Cushman & Wakefield, DTZ, Jones Lang LaSalle, CBRE, Colliers International, GfK Polonia **in cooperation with and with the patronage of the Polish Council of Shopping Centres (Polska Rada Centrów Handlowych – PRCH).**

Aims

- sharing the knowledge and opinions about the retail property market in Poland
- publishing opinions and reports on the retail space market based on the ICSC (International Council of Shopping Centres) standards and definitions

Definitions and methodology

The definitions listed below are consistent with the ICSC standards and have been used for the purposes of this publication:

Conventional shopping centre – a retail property planned, constructed and managed as a single retail entity which consists of a shared retail area of a minimum leasable space (GLA) of 5,000 m² and at least 10 shops.

Retail park – a property with a consistent design, construction and management which consists mainly of medium and large-sized specialist retail facilities.

Outlet centre – a property with a consistent design, construction and management with separate shops in which the producers or retailers sell surplus stock, end-



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of-line products and products from previous collections at reduced prices.

Vacant retail space and leasing structure inspection

In VI-VII under the PRCH Retail Research Forum a site inspection was conducted in shopping centres of all types in the eight largest urban agglomerations and seven cities with a population of 200,000 – 400,000. In this edition, the inspection covered 229 shopping centres whose total GLA is 6.8 million square meters. The vacant retail space indicator determines the percentage of vacant retail space in a given shopping centre in relation to its GLA. It is sometimes referred to as a utilization indicator or indicator of absorption of retail space offered by developers and it is one of the fundamental determinants of demand on the retail property market.

During the inspection 16,480 leased and operating facilities were identified and recorded which have been arranged into 23 categories according to the industry.

Vacant retail space – retail premises which are not used and no business is operating on such premises at the time of the inspection. It also refers to premises which are covered or not labelled in the case of which the tenant and business activity cannot be identified.

The above definitions were used by Retail Research Forum to provide a classification of all shopping facilities in Poland and provide consistent information on the supply of retail space in Poland.

For the purposes of the RRF publication the particular agglomerations and urban areas shall include:

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, Ożarów Mazowiecki, Stare Babice, Łomianki, Izabelin, Błonie, Radzymin, Marki, Ząbki, Kobyłka, Wołomin and Zielonka.

Katowice Conurbation: Będzin, Bytom, Chorzów, Czeladź, Dąbrowa Górnicza, Gierałtówice, 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.

Tricity 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.

The common database developed by the companies representing PRCH RRF is used to publish consistent information on the provision of modern retail space in Poland and shopping centres under construction which include retail schemes whose construction has broken ground and is continued.



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**POLSKA RADA
CENTRÓW HANDLOWYCH**
POLISH COUNCIL
OF SHOPPING CENTRES

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Gemini Park Bielsko Biala



Galeria Siedlce



Galeria Amber, Kalisz



Atrium Felicity, Lublin

