

RETAIL RESEARCH FORUM



Polska Rada Centrów Handlowych
Polish Council of Shopping Centres

REPORT H2 2011



Galeria Kaskada, Szczecin



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* including traditional shopping centres, retail parks and outlet centre

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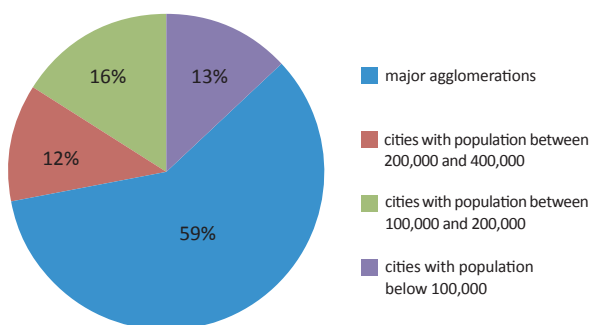
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1. Shopping centre space stock in Poland

At the end of 2011, the total stock of shopping centre space including traditional shopping centres, retail parks and outlet centres stood at nearly 8,767,000 sq.m of gross leasable area (GLA). The provision of shopping centre space reached 1.2 million sq.m of GLA in cities with up to 100,000 inhabitants, 1.4 million sq.m of GLA in cities with 100,000-200,000 inhabitants, 1 million sq.m of GLA in cities with 200,000-400,000 inhabitants and 5.1 million sq.m of GLA in the largest Polish agglomerations.

Distribution of shopping centres in Poland at the end of 2011



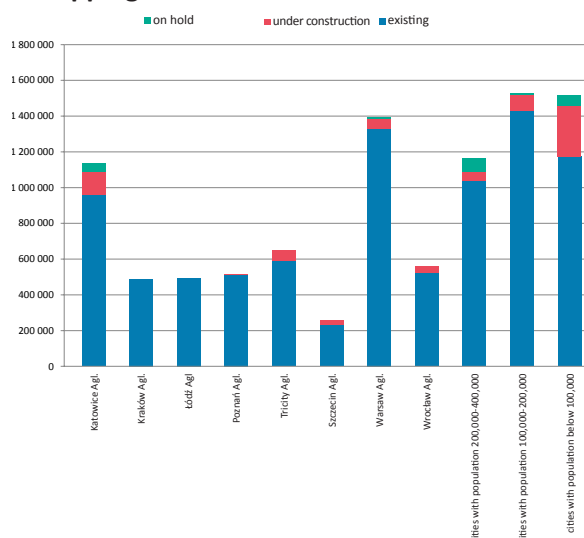
Source: PRCH Retail Research Forum, February 2012

The largest retail markets of eight major urban areas include the Warsaw Agglomeration with 1,326,200 sq.m of GLA and the Katowice Conurbation with 960,700 sq.m of GLA. The key cities with population between 200,000-400,000 and the largest space provision include Bydgoszcz (187,800 sq.m of GLA) and Białystok (164,900 sq.m of GLA). Cities inhabited by 100,000-200,000 people and offering the largest space volume

include Rzeszów (195,500 sq.m of GLA), Opole (174,900 sq.m of GLA) and Bielsko-Biała (157,800 sq.m of GLA). The most developed retail markets in the smallest towns include Słupsk (77,700 sq.m of GLA), Nowy Sącz (64,800 sq.m of GLA) and Lubin (64,500 sq.m of GLA).

The new provision of shopping centre space in 2011 totalled 650,000 sq.m, of which 58% was delivered in H2 2011. The largest shopping centres completed in Q3 and Q4 2011 included Millenium Hall in Rzeszów, Kaskada in Szczecin, Plaza Toruń and Galeria Ostrovia in Ostrów Wlkp. In 2011 the share of small and medium-sized cities in total stock continued to rise and reached 41.5% (38% in 2010). Extensions of shopping centres, including Galeria Echo in Kielce (40,000 sq.m of GLA added) and Silesia City Center in Katowice (19,000 sq.m of GLA added), accounted for 20% of the new supply in 2011.

Shopping centres in Poland at the end of 2011



Source: PRCH Retail Research Forum, February 2012

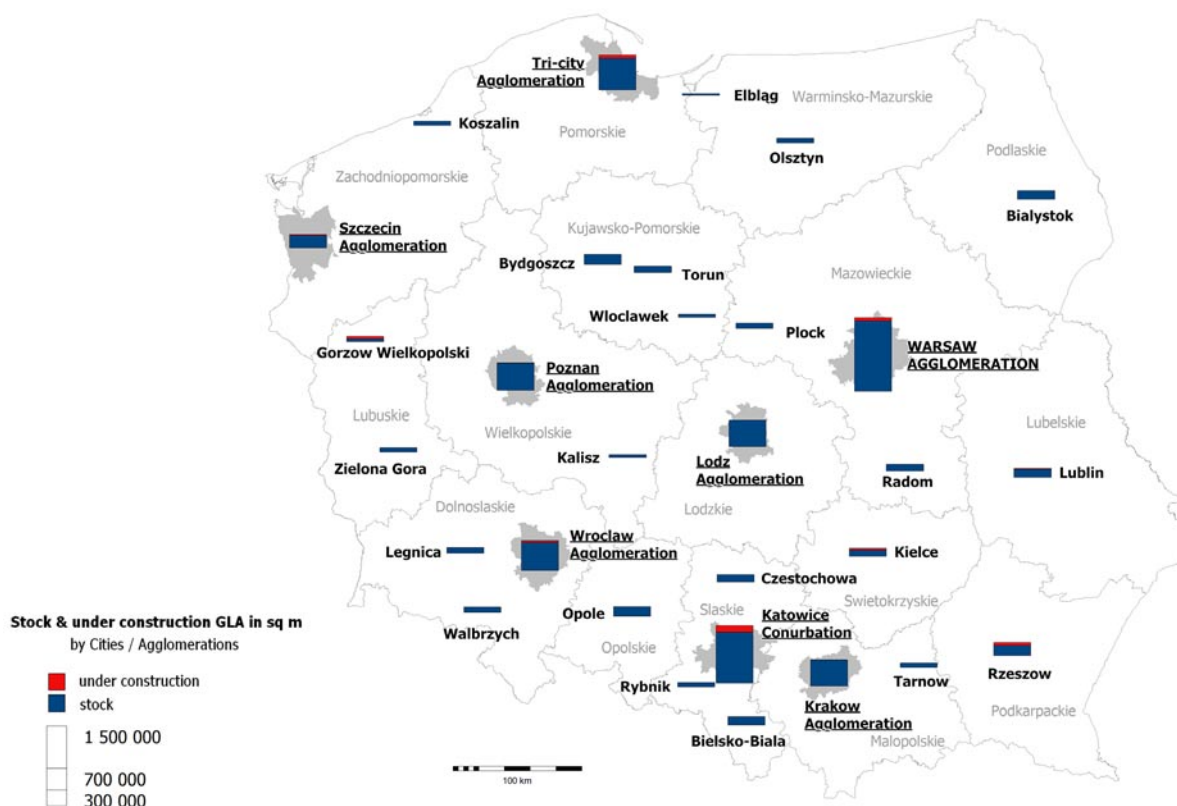
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The trend of the new annual supply of 500,000-600,000 sq.m of GLA recorded in 2010 and 2011 is likely to continue in the next two years. At the end of 2011 there was over 740,000 sq.m of GLA under construction in shopping centres, of which 39% in small towns with population below 100,000. This shows that the Polish retail market is becoming increasingly saturated, and tenants, developers and investors are looking new areas to expand. Around 500,000 sq.m of shopping centre space currently under construction is scheduled

to come onto the market in 2012. The major shopping centres under construction include the following: Europa Centralna Park in Gliwice, Galeria Katowicka, City Centre Rzeszów and phase II of the Wzgórze shopping centre in Gdynia. Given the projects on hold (197,000 sq.m) and projects at an advanced stage of development, the annual provision of new shopping centre space is expected to rise considerably after 2014, unless there is another downturn in the global economy.

Distribution of shopping centre space in cities with population below 100,000 GLA (sq.m) by cities

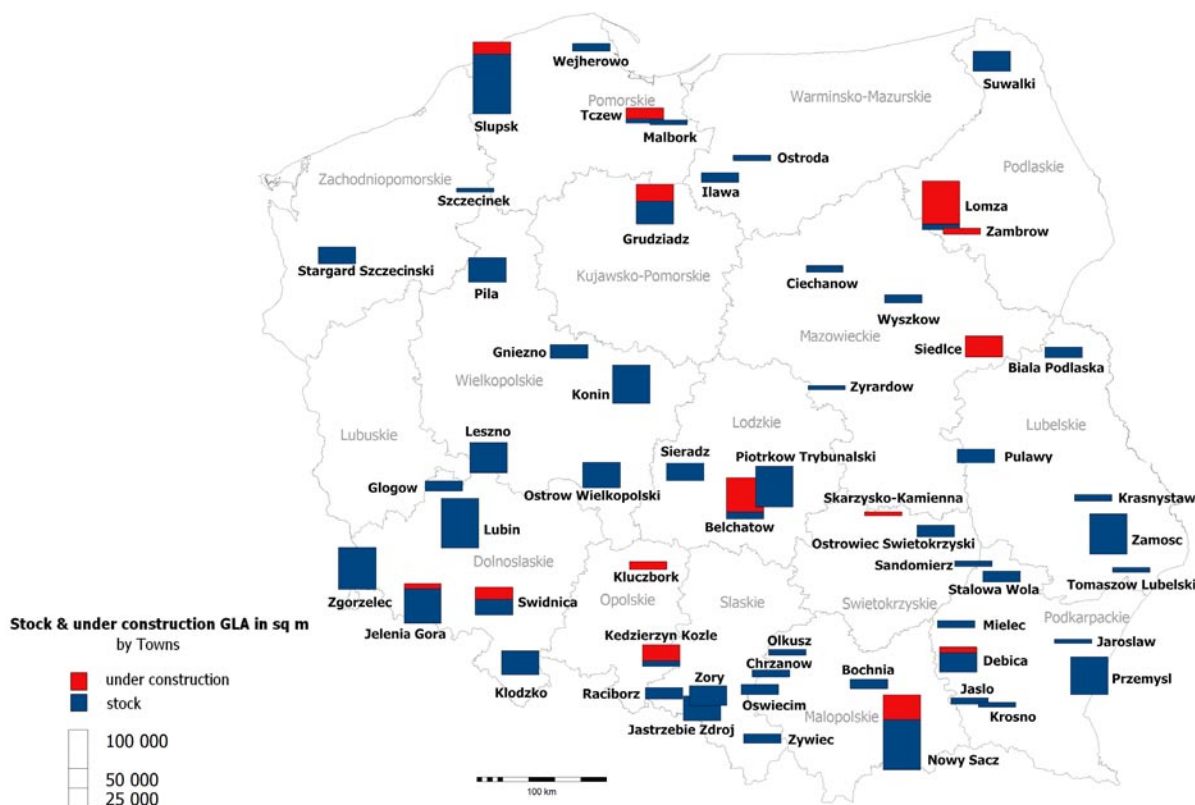


Source: PRCH Retail Research Forum, February 2012

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Distribution of shopping centre stock in cities with population over 100,000 GLA (sq.m.)
by cities/agglomerations



Source: PRCH Retail Research Forum, February 2012

2. Density of shopping centres stock per 1,000 inhabitants in Poland

In H2 2011, the average density ratio of **the modern shopping centre space for Poland** went up to 229 sq.m per 1,000 inhabitants from the

level of 219 sq.m registered at the end of the first half of 2011.

The average retail space density index for the **eight major agglomerations** now stands at 520 sq.m per 1,000 inhabitants. The highest density continues to be recorded in Wrocław Agglomeration (683 sq.m) and Poznań Agglomeration (638 sq.m), while the lowest figures were noted in the Agglomerations of Szczecin, Kraków and Katowice.

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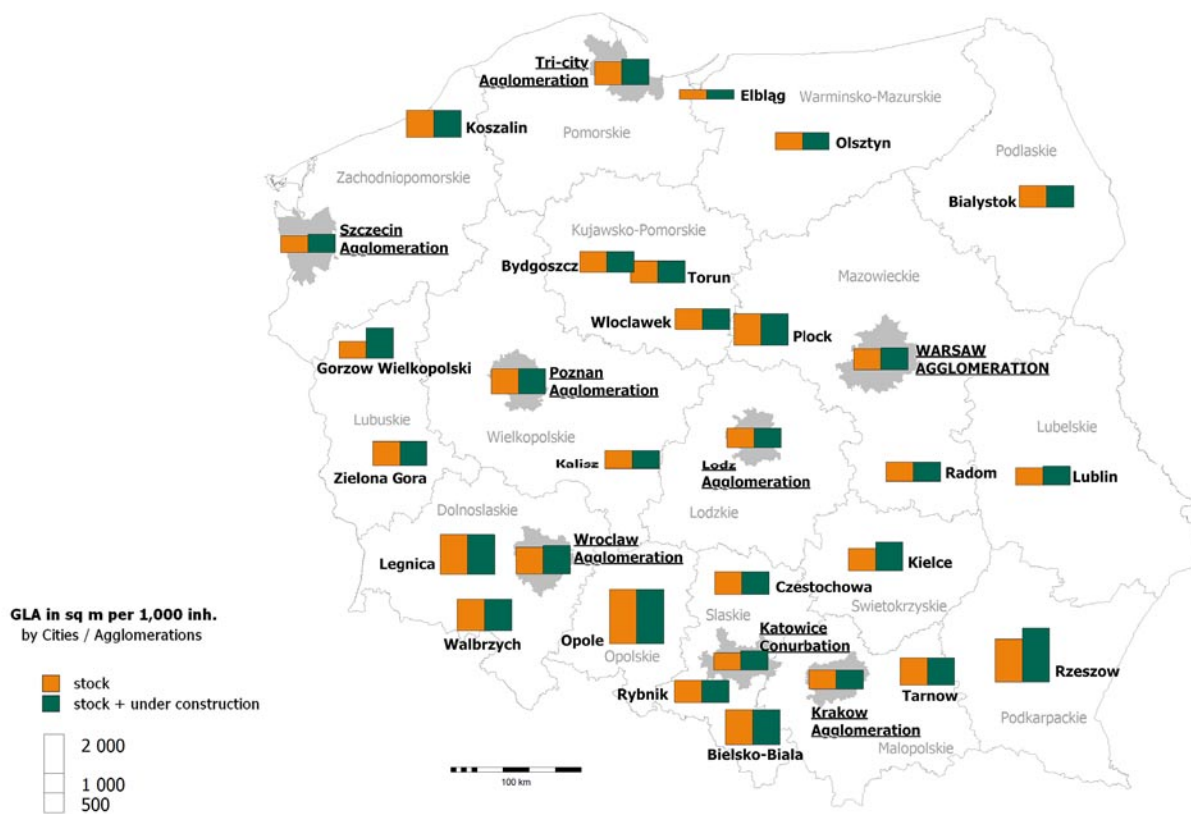
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From July through December 2011 the major Polish cities boasted the largest modern retail floorspace increase of nearly 130,000 sq.m in total.

In the second half of 2011, the largest rise in retail stock was recorded in Kraków Agglomeration,

where Neinver opened its Futura Park, a retail complex combining the functions of a retail park and a factory outlet centre. Kraków also saw an extension of M1 shopping centre, while Szczecin's modern retail space density rose from 364 to 427

„Shopping centre stock density in sq m of GLA per 1,000 inhabitants in cities with population over 100,000



Source: PRCH Retail Research Forum, February 2012

sq.m per 1,000 inhabitants after the completion of Kaskada shopping centre. This, however, did not affect Szczecin's position in the total ranking and the city remains one of the least saturated markets of the eight major urban areas in Poland.

Developers are particularly active in Katowice Conurbation with three schemes under construction there to provide a total of 125,000 sq.m of leasable space, including Galeria Katowicka, Galeria Zabrze and Europa Centralna

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in Gliwice, a large complex of a regional capture power. The completion of these projects will boost the density ratio in the Katowice Conurbation to 483 sq.m per 1,000 inhabitants.

Shopping centre density in Warsaw Agglomeration is also expected to rise after delivery of 70,000 sq.m of new retail space in three new shopping centres: Galeria Miejska Plac Unii, Auchan in Łomianki and Galeria Brwinów. Tri-City's density ratio is likely to go up by 60 sq.m per 1,000 inhabitants following the opening of Galeria

with the completion of Korona Kielce shopping and leisure centre scheduled for May 2012. By contrast, Lublin, which features the lowest density statistics of all the cities populated by 200,000-400,000 people, is now seeing the construction of Tatarski retail park (FMZ) with Praktiker near E.Leclerc shopping centre in Turystyczna Street.

The average modern retail space density in the **fifteen cities inhabited by 100,000-200,000 people** rose from 693 sq.m to 728 sq.m per 1,000 inhabitants. These cities are, however, diversified

Shopping centre stock density in eight agglomerations (sq.m per 1,000 inhabitants)

Agglomeration	Existing stock	Existing + stock under construction
Wrocław	683	729
Poznań	638	644
Tri-City	594	654
Warszawa	532	556
Agglomeration average	520	552
Łódź	495	495
Kraków	484	484
Szczecin	427	469
Katowice	426	483

Source: PRCH Retail Research Forum, February 2012

Szperk in February 2012 and the extension of Wzgórze shopping centre, both in Gdynia.

The average density index for **the regional cities with population between 200,000 and 400,000** rose from 490 sq.m to 535 sq.m per 1,000 inhabitants.

The largest increase in the provision of shopping centre space was recorded in Kielce and Toruń. Density in Kielce reached 570 sq.m per 1,000 inhabitants after the opening of a new part of Galeria Echo, while Toruń saw its density rise with the of Toruń Plaza.

Kielce's saturation index is expected to rise further

in terms of the level of saturation. Some markets, such as Opole, Legnica, Bielsko-Biała, Wałbrzych and Rzeszów (following the recent opening of Millenium Hall) seem to be well supplied with retail developments, while cities such as Elbląg, Gorzów Wielkopolski, Olsztyn and Kalisz register the lowest density statistics.

In H2 2011, the biggest development activity was recorded in Rzeszów (the opening of Millenium Hall), Kalisz (Galeria Tęcza) and Włocławek (Focus Park and the extension of Wzorcownia shopping centre).

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Shopping centre stock density for cities with 200,000 – 400,000 inhabitants (sq.m per 1,000 inhabitants)

City	Existing stock	Existing + stock under construction
Kielce	570	737
Częstochowa	578	578
Toruń	564	564
Radom	561	561
Białystok	559	559
Average for cities with 200,000-400,000 inhabitants	535	560
Bydgoszcz	527	527
Lublin	438	478

Source: PRCH Retail Research Forum, February 2012

The provision of retail space will rise in Gorzów Wielkopolski, with the opening of two new shopping centres: Nova Park and Zielona Przystań, and in Rzeszów, where City Center is under construction and Plaza Rzeszów is being extended.

Retail space density indices also vary considerably for cities with population below 100,000. The

highest figures have Zgorzelec, Kłodzko, Lubin, Słupsk, Zamość, Nowy Sącz, Przemyśl and Piotrków Trybunalski. Over 70,000 sq.m of new shopping centre space was added to the market of such cities in four new projects and in two extended schemes.

In Ostrów Wielkopolski the modern retail space provision rose from zero to 497 sq.m per 1,000 inha-

Shopping centre stock density for cities with 100,000 – 200,000 inhabitants (sq.m per 1,000 inhabitants)

City	Existing stock	Existing + stock under construction
Opole	1 391	1 391
Rzeszów	1097	1374
Legnica	1017	1017
Bielsko-Biała	902	902
Płock	806	806
Wałbrzych	805	805
Average for cities with 100,000-200,000 inhabitants	728	775
Tarnów	699	699
Koszalin	687	687
Zielona Góra	685	685
Rybnik	566	566
Włocławek	529	529
Kalisz	526	526
Olsztyn	439	439
Gorzów Wielkopolski	437	779
Elbląg	251	251

Source: PRCH Retail Research Forum, February 2012

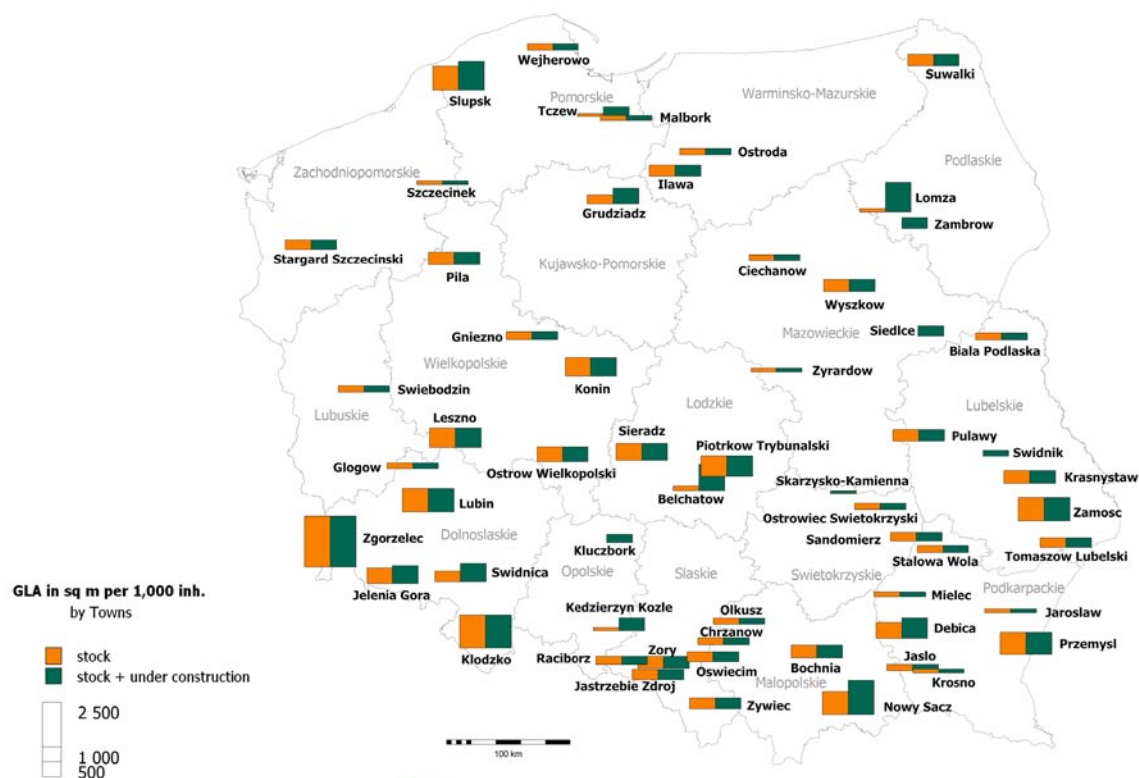
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bitants with the opening of Galeria Ostrovia, while the extension of Galeria Jantar in Słupsk boosted the space density in this city to 804 sq.m. Another extension of Słupsk's Galeria Jantar, which is currently underway, is scheduled to open in May 2012.

gallery was opened in Suwałki.

Around 300,000 sq.m of modern shopping centre space is expected to come onto the market in cities with population below 100,000 in the years 2012-2013. The strongest growth in the

Density of shopping centres stock per 1,000 inhabitants in cities with less than 100,000 inhabitants



Source: PRCH Retail Research Forum, February 2012

Sieradz saw its space density rise from 347 sq.m to 559 sq.m per 1,000 inhabitants with the opening of the Dekada shopping centre. In Zamość, Revia Park shopping centre was added to the market, while Tesco with a small retail

provision of retail space is projected in Łomża, where Galeria Narew and Galeria Veneda are currently under construction, and in Bełchatów, whose stock density is likely to rise to 880 sq.m with the opening of Galeria Bawełnianka and the

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modernisation and extension of Echo's shopping centre (Galeria Olimpia).

The currently high density ratio in Nowy Sącz will increase further to include another shopping centre Trzy Korony. Major developments are also expected in Grudziądz, where the Galeria Alfa is now under construction, and in Kędzierzyn Koźle with the Odrzańskie Ogrody project underway.

The shopping centre stock density is projected

to rise more than threefold from 91 sq.m to 324 sq.m per 1,000 inhabitants in Tczew, where Galeria Kociewska is under construction. Major developments are also to be delivered in Siedlce (the opening of Galeria S) and in Kluczbork (Galeria Miodowa) At the moment, the two cities lack modern retail projects. These selected schemes described above illustrate developers' strong interest in small town markets.

Shopping centre stock density for cities with population below 100,000 (sq.m per 1,000 inhabitants)

City	Existing stock	Existing + stock under construction
Zgorzelec	1 724	1 724
Kłodzko	1 119	1 119
Lubin	870	870
Słupsk	804	964
Zamość	789	789
Nowy Sącz	767	1145
Przemyśl	736	736
Piotrków Trybunalski	682	682
Konin	625	625
Sieradz	559	559
Leszno	652	652
Jelenia Góra	531	609
Ostrów Wielkopolski	497	497
Average for cities with less than 100,000 inhabitants	406	507
Suwałki	374	374
Świdnica	347	608
Grudziądz	298	520
Bełchatów	153	880
Żyrardów	136	136
Łomża	117	990
Kędzierzyn-Koźle	109	435
Tczew	91	324
Kluczbork	0	279
Siedlce	0	349

Source: PRCH Retail Research Forum, February 2012

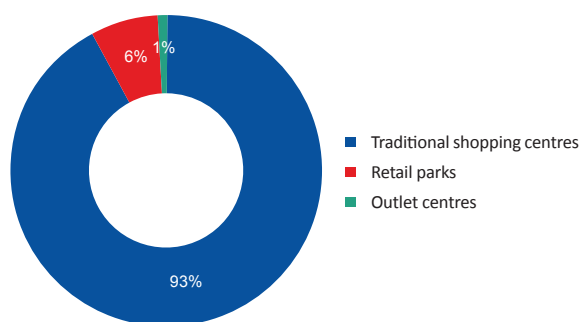
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3. Shopping centre formats in Poland

At the end of 2011, there were 368 schemes on the Polish modern retail market classified by the Retail Research Forum as shopping centres, of which 344 were traditional shopping centres. Traditional schemes accounted for 93% of the total shopping centre stock of around 8.1 million sq.m.

Shopping centre formats in Poland



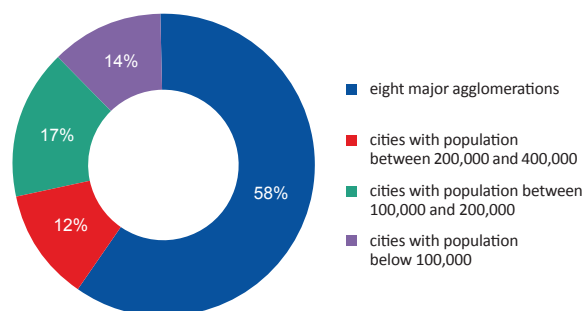
Source: PRCH Retail Research Forum, February 2012

Retail parks accounted for 6% of the total retail space stock with around 540,000 sq.m. Inter Ikea continues to be the key player on the market of retail park developers with nearly a 57% market share. Openings in the second half of 2011 included three new retail parks and one extension. From July through December 2011, a Factory Outlet Centre totalling 22,000 sq.m was delivered onto the Kraków market. Poland's outlet centres total around 121,300 sq.m. Apart from Neinver and The Outlet Company, which were the only developers operating in this segment of the shopping centre market, Echo Investment, a new market entrant, is building its first phase of the Outlet Park in Szczecin.

The majority of traditional shopping centres stock (56% of floorspace) is located in Poland's eight major agglomerations which are home to around 150 out of 344 traditional schemes, i.e. nearly 44% of the total. Such schemes also tend to offer larger lease units compared to shopping centres in smaller cities.

Modern shopping centre space stock stands at 1.03 million sq.m (around 13% of Poland's total floorspace) in cities with population between 200,000 and 400,000 and at 1.13 million sq.m (around 14%) in cities inhabited by less than 100,000 people, while the provision of modern shopping centre space in cities with population between 100,000 and 200,000 is nearly 1.4 million sq.m and accounts for 17% of the total stock.

Traditional shopping centre distribution by city size



Source: PRCH Retail Research Forum, February 2012

The eight major Polish agglomerations are the most mature and diversified retail markets which are home to most outlet centres and largest retail parks in Poland. The share of traditional shopping centres in the total stock has been declining year by year in proportion to the increasing volume of other format space.

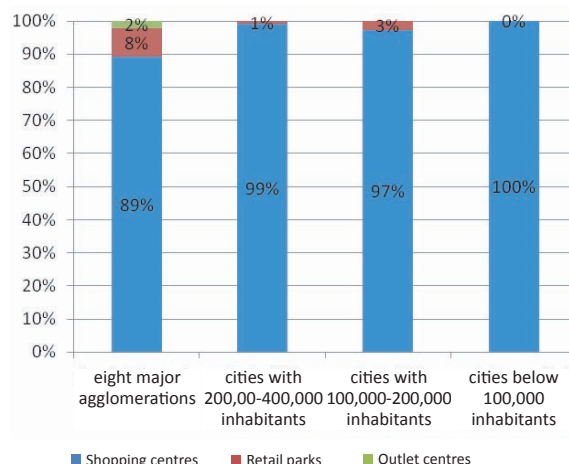
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Openings in the second half of 2011 included three new retail parks in Kraków, Tarnowskie Góry and Włocławek, and an extension of the Franowo scheme in Poznań. The only retail park in cities with population between 200,000-400,000 is in Bydgoszcz: Pomorski Park Handlowy. However, some of the existing shopping centres have been developed into quasi retail parks which are included in the shopping centre stock.

Outlet centres account for only 1% of the total modern retail space. All the existing seven schemes are located in the major agglomerations: Warsaw, Wrocław, Kraków, Tricity, Poznań, and Sosnowiec (part of the Katowice Conurbation).

Differentiation of shopping centre formats



Source: PRCH Retail Research Forum, February 2012

4. Shopping centre openings in H2 2011

Over 368,000 sq.m of modern shopping centre space was delivered onto the Polish market in the second half of 2011, up by 99,000 sq.m on the first six months of 2011, when 269,000 sq.m came on stream. In the corresponding period of 2010, the new provision of modern shopping centre space was 252,000.

The new supply delivered onto the market in H2 2011 included thirteen new retail schemes totalling over 271,000 sq.m, while an extra 97,000 sq.m of space was added to the existing ten shopping centres.

The largest development volume was recorded in Poland's major agglomerations: Warsaw, Katowice, Łódź, Szczecin, Kraków, Poznań and Wrocław, where a total of over 128,000 sq.m of

modern shopping centre space was delivered, which accounted for 35% of the new provision. In cities with population between 200,000 and 400,000 (Białystok, Toruń and Kielce) 88,000 sq.m of retail space (24% of the new provision) was constructed. Next, around 79,000 sq.m of modern retail space came onto the markets of cities with population between 100,000-200,000, including Rzeszów, Włocławek and Kalisz, which accounted for 21% of the new provision. An extra 73,000 sq.m of GLA (20% of the new provision) was delivered in towns inhabited by less than 100,000 people.

The largest schemes completed in H2 2011 included Millenium Hall in Rzeszów (52,000 sq.m of GLA) Galeria Kaskada (43,000 sq.m of GLA), Plaza Toruń (40,000 sq.m of GLA) and Galeria Ostrowia in Ostrów Wielkopolski (36,000 sq.m of GLA).

The major extensions of shopping centres included the following: Silesia City Center in Katowice,

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Galeria Echo in Kielce, Auchan Hetmańska in Białystok, Galeria Jantar in Słupsk, Magnolia Park in Wrocław, Galeria Niva in Oświęcim and Franowo in Poznań.

Shopping centres opened in H2 2011

Name	City	GLA (sq.m)
Millennium Hall	Rzeszow	52 000
Galeria Kaskada	Szczecin	43 000
Galeria Echo (extension, phase two)	Kielce	40 000
Plaza Toruń	Toruń	40 000
Galeria Ostrovia	Ostrow Wielkopolski	36 000
Factory Outlet	Kraków	22 000
Silesia City Center (extension, phase two)	Katowice	19 000
Galeria Tęcza	Kalisz	18 170
Futura Park	Kraków	22 000
Dekada	Sieradz	10 000
M1 (extension, phase two)	Kraków	8 500
Auchan Hetmańska (extension, phase two)	Białystok	8 000
Jantar Słupsk (extension, phase two)	Słupsk	8 000
Revia Park	Zamość	8 000
Tesco	Suwałki	7 000
Focus Park	Włocławek	6 200
CH Tarnowskie Góry	Tarnowskie Góry	6 080
Stara Garbarnia	Żyrardów	5 600
Galeria Niwa (extension, phase two)	Oświęcim	4 000
Franowo (extension, phase two)	Poznań	4 000
Wzorcownia (extension, phase two)	Włocławek	2 300
Magnolia Park (extension, phase two)	Wrocław	1 700
Pasaż Łódzki (extension, phase 3)	Łódź	1 500

Source: PRCH Retail Research Forum, February 2012

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5. Shopping centre vacancy rates

Vacancy rates were calculated for 208 shopping centres in fifteen largest Polish cities and agglomerations providing up-to-date for approximately 6.2 million sq.m of leasable space, i.e. around 70% of the total retail space stock in Poland. Apart from the eight largest markets of Warsaw, Katowice, Tricity, Wrocław, Poznań, Kraków, Łódź and Szczecin, the markets of the following major medium-sized towns were also included: Bydgoszcz, Białystok, Kielce, Lublin, Częstochowa, Radom and Toruń.

The vacancy rate in shopping centres is one of the most precise indicators describing the current market situation as it indicates the retail space supply and demand dynamics. It also makes possible to discriminate between tenant's market, with large volumes of vacant space, or a landlord's market characterised by a shortage of vacant premises.

In the second half of 2011, among the Polish cities included in the research, Szczecin boasted the lowest vacancy rate, while Toruń's rate had the highest. Apart from Szczecin, currently being a prime example of landlord's market, vacancy rates below 1% were also recorded in Warsaw and Lublin, and these cities currently offer the best conditions for further retail stock development. The vacancy rates in the agglomerations of Tricity, Katowice, Poznań and Wrocław stood at 1-2%, indicating market balance between supply and demand or slight shortage of shopping centre space, depending on the stock quality. Development opportunities in these cities are, however, much more varied. Apart from Toruń,

the lowest vacancy rates were recorded in Kraków, Radom and Bydgoszcz. With the vacancy level of over 3%, these cities are tenant's markets where tenants can (re)negotiate similar or better lease conditions than in the first half of 2011.

In the second half of 2011, Lublin offered the smallest volume of vacant space, while Kraków agglomeration had the largest amount of available retail space. In Lublin there was just under 900 sq.m of vacant retail space in several small units of less than 250 sq.m. By contrast, at the end of 2011 the highest volume of vacant retail space across Poland was in Kraków, where there was over 23,000 sq.m of space available for lease.

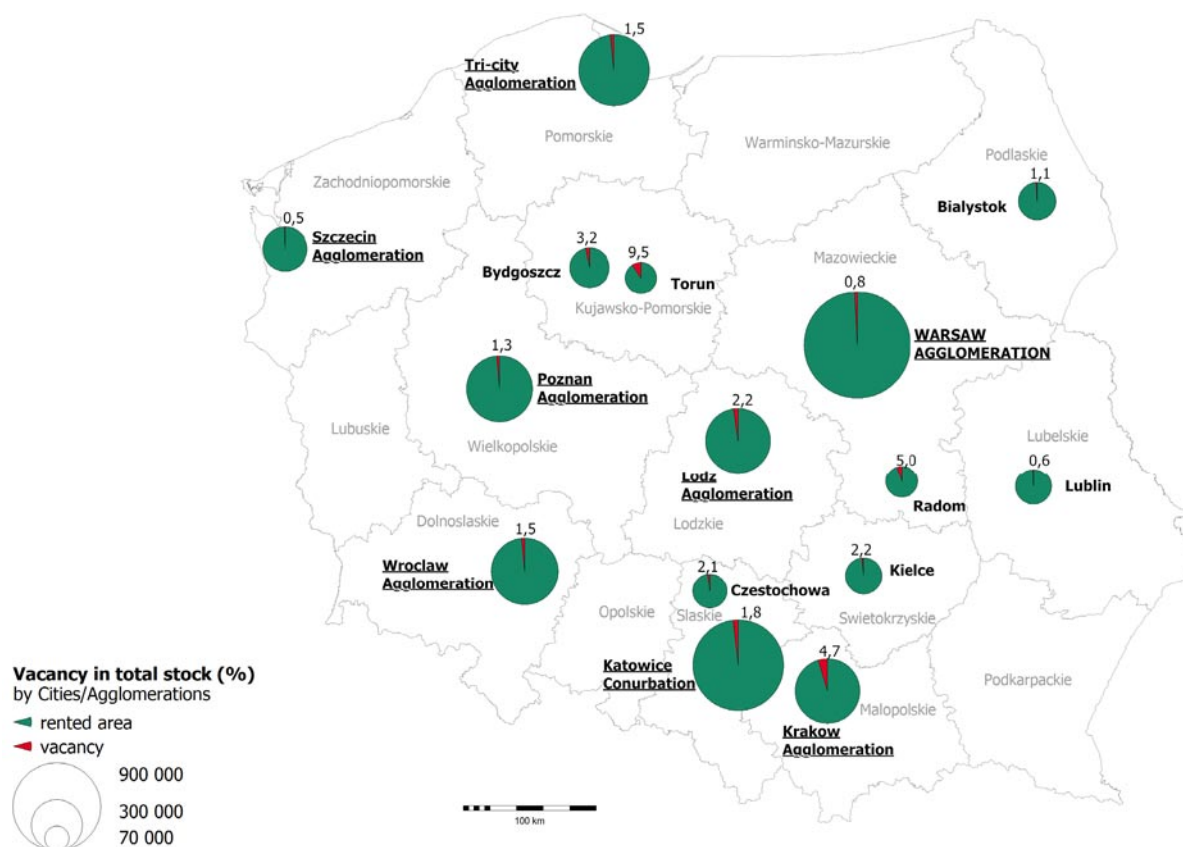
In Warsaw, the largest shopping centre market in Poland, the vacancy rate stood at 0.83% with 11,100 sq.m of space at hand available in only few, less popular retail schemes. Prime shopping centres such as Złote Tarasy, Arkadia, Klif and Galeria Mokotów had none or single units available for immediate lease. Low shopping centre density in Warsaw agglomeration and very limited supply in 2012 are likely to push up rental levels in the leading schemes and increase demand for retail units outside shopping centres, mainly at Warsaw's emerging high streets.

Compared to the figures for the first half of 2011, the average vacancy rate in shopping centres for the fifteen largest cities in Poland rose slightly, but the differences between individual locations were considerable. The vacancy rates fell strongly in agglomerations of Katowice, Tricity, and city of Białystok but they remained stable in the agglomerations of Szczecin, Poznań, Łódź and Warsaw, as well as in cities like Częstochowa and Lublin. Vacancy rate rose considerably in

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Vacancy rates in shopping centres in cities with population over 200,000



Source: PRCH Retail Research Forum, February 2012

Toruń, Kraków agglomeration, and notably in Bydgoszcz where the market hasn't seen new addition lately, being an evidence of the market saturation. By contrast, the vacancy rates rose strongly in Toruń and Kraków, as these markets were affected by new completions leased in 70-80%.

Increasingly landlords are now adapting to the current market situation by extending new scheme's commercialisation periods or taking account of the market conditions through

developing realistic retail projects that can be fully leased on the opening date or shortly after. The most successful schemes opened during the second half of 2011 include Kaskada in Szczecin, the extension of the Silesia City Center in Katowice and Auchan Hetmańska in Białystok where at the end of 2011 already there was no vacant retail space. In other newly-completed shopping centres, including Galeria Echo, the limited volume of vacant space slightly pushed the vacancy rates up in Kielce.

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6. Tenant mix in shopping centres in Poland

The Polish retail market attracted considerable interest from international retail chains with over 30 foreign brands entering Poland in 2011, mainly fashion (36%), children & maternity (17%) and shoes (12%).

The major openings in 2011 included the following:

- fashion stores such as the American GAP (Arkadia in Warsaw) and the British Dorothy Perkins (Złote Tarasy in Warsaw);
- the American chain Toys"R"US, which opened its first store in the Blue City shopping centre in Warsaw;
- the Swedish DIY chain Jula, which opened its first stores in the Janki and Targówek retail parks within the Warsaw Agglomeration;
- the Danish chain Tiger offering a wide range of products, including accessories, stationery, toys, cosmetics and homeware (Warsaw).

The Polish market also strongly appealed to

international chains of cafes and confectioneries such as the Chocolate Company, selling Dutch chocolate products, already present in three locations in Poland, the US brand Cinnabon offering cinnamon baked goods, and Yogen Fruz and Redberry with frozen yoghurt-based desserts (a similar concept was launched in 2011 by Polish manufacturers, including Feel The Chill).

Most of the newcomers to the Polish market made their debut in Warsaw (over 52%), but shopping centres in other locations were also popular with foreign brands, particularly Stary Browar and Galeria Malta in Poznań, as well as Manufaktura and Port Łódź in Łódź. Many of the new brands, which entered the Polish retail market have already announced their expansion plans into other regional cities.

The tenant mix is varied in the shopping centres in Poland and depends on the retail format. Traditional shopping centres tend to have the most strongly diversified tenant mix with several categories of tenants represented in relatively equal proportions. A typical shopping centre

Newcomers to the Polish market in 2011

BRAND	CATEGORY	ORIGIN	FIRST LOCATION
GAP	Fashion	USA	Arkadia, Warsaw
Jula	DIY	Sweden	Janki and Targówek retail parks, Warsaw
Toys"R"Us	Children & Maternity	USA	Blue City, Warsaw
Dorothy Perkins	Fashion	UK	Złote Tarasy, Warsaw
Catimini	Children & Maternity	France	Stary Browar, Poznań
Chocolate Company	Restaurants, cafes	Holland	Galeria Mokotów, Warsaw
Change	Fashion (Lingerie)	Denmark	Port Łódź, Łódź
Gocco	Children & Maternity	Spain	Galeria Malta, Poznań
Cinnabon	Food	USA	Silesia City Center, Katowice
Groovy Kids	Children & Maternity	Australia	Reduta, Warsaw

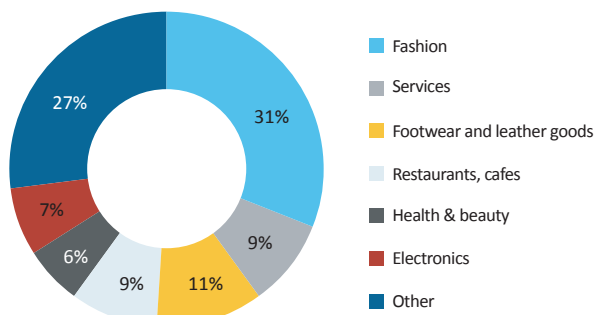
Source: PRCH Retail Research Forum, February 2012

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has the following retailers: fashion (over 30%), footwear and leather goods (around 11%), services and restaurants (around 9% each), electronics (around 7%) and health & beauty (around 6%).

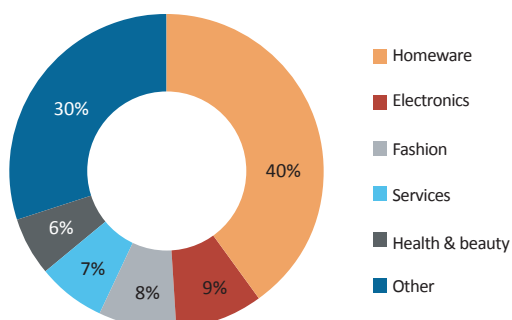
Tenant mix in traditional shopping centres



Source: PRCH Retail Research Forum, February 2012

The tenant mix in retail parks has other structure and the differences between the share of particular tenant categories are more noticeable. Retail parks' tenants are mainly retailers from the homeware sector (over 40%) while the share of other sectors usually does not exceed 10%. Retailers from the electronics and service sectors constitute 8-9% on average of the tenant mix and fashion retailers account for only around 7% of all

Tenant mix in retail parks

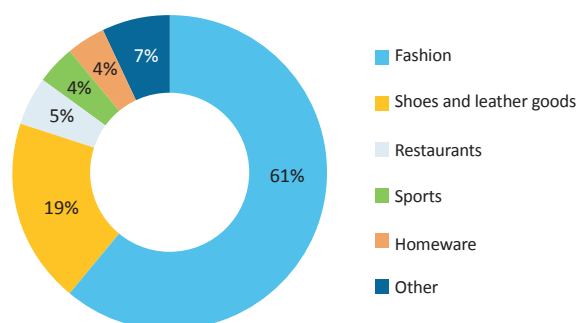


Source: PRCH Retail Research Forum, February 2012

the tenants. Except for playrooms for children, there are currently no entertainment offer in retail parks, but such services may be launched in the future.

Outlet centres are naturally dominated by two closely related retail categories. Fashion retailers account for the largest share of all the stores taken up (over 60%), while the share of tenants from the shoes and leather goods sector is just under 20%. Restaurant operators form the third largest group of tenants with a nearly 5% share. Outlet centres practically do not have tenants from the food and electronic equipment sectors, services or entertainment & leisure (apart from playrooms for children).

Tenant mix in outlet centres by retail categories



Source: PRCH Retail Research Forum, February 2012

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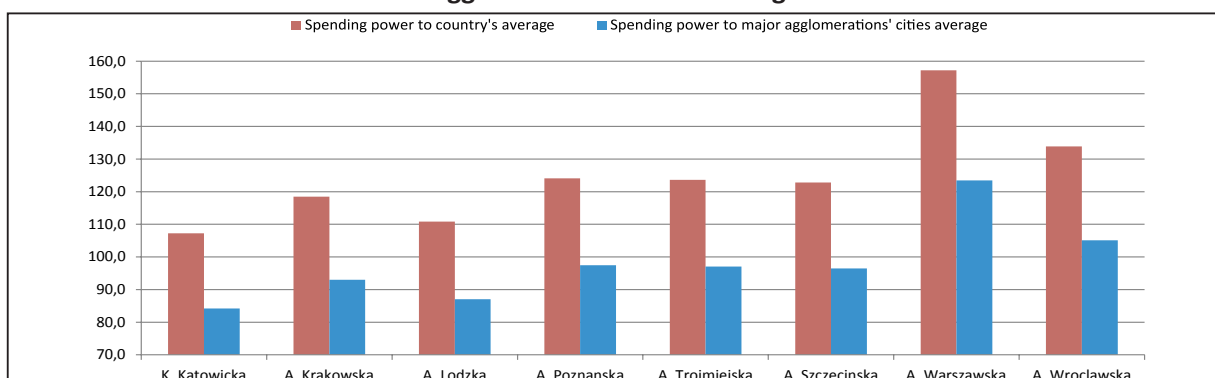
7. Retail space provision and spending power

The spending power which measures the economic potential of a population is a major feature affecting a development's potential. It measures, however, consumers' purchasing potential, and not their willingness to spend money in shopping centres, which is assessed using other indicators. The spending power per retail space has been declining over recent years, which is a natural result of the growing retail space provision. The supply of retail space outstrips Polish consumers' spending power. The review of retail space provision figures (existing stock and stock under construction in H2 2011) and the corresponding spending power, i.e. the total value of goods and services which could have been bought by inhabitants of cities included in this report in 2011, can provide some interesting findings. The direct comparison of data on retail space density and the corresponding spending power is a

good indicator of market competition and, to a certain extent, reflects the difficulty in winning over consumers' money. It does not, however, fully reflect the features of individual cities or retail schemes and their potentials.

Polish agglomerations (Katowice, Kraków, Łódź, Poznań, Tricity, Szczecin, Warsaw and Wrocław) are inhabited by nearly ten million consumers. Following the completion of all the schemes currently under construction, the retail space figure per 1,000 inhabitants will average 554 sq.m, and the spending power per each 554 sq.m will be just over PLN 50,000. According to the analysis of the ratio of spending power to the level of retail space saturation, the higher the retail space provision, the smaller the spending power per retail space, and consequently stronger competition for consumers' money. As a result of various affluence levels throughout cities, spending power supports retail space to different degrees. Therefore, differences are seen between the two most affluent agglomerations of Poland. When all the retail space under construction in the Wrocław Agglomeration

Spending power in Poland's major agglomerations to country's average and major agglomerations' cities average

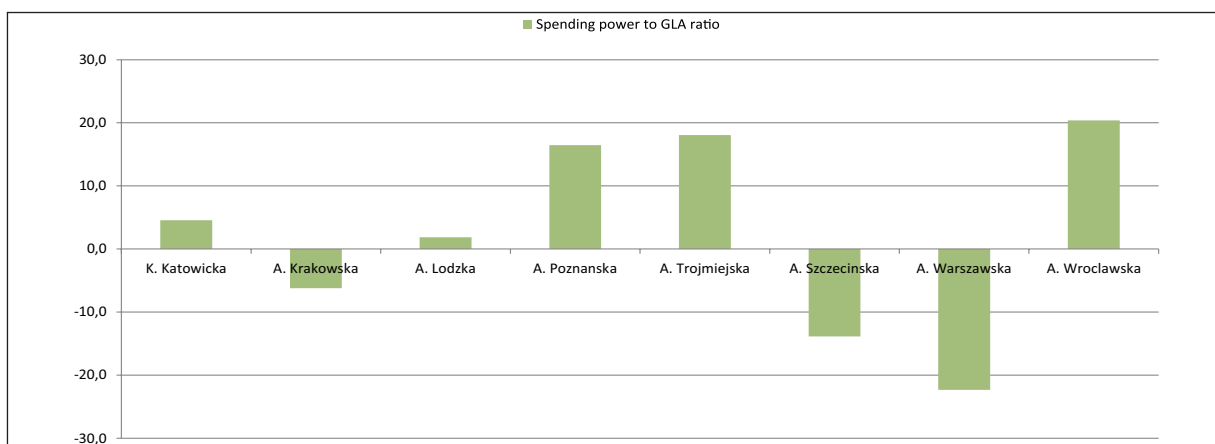


Source: PRCH Retail Research Forum, February 2012

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Spending power to GLA ratio for 8 biggest agglomerations in Poland

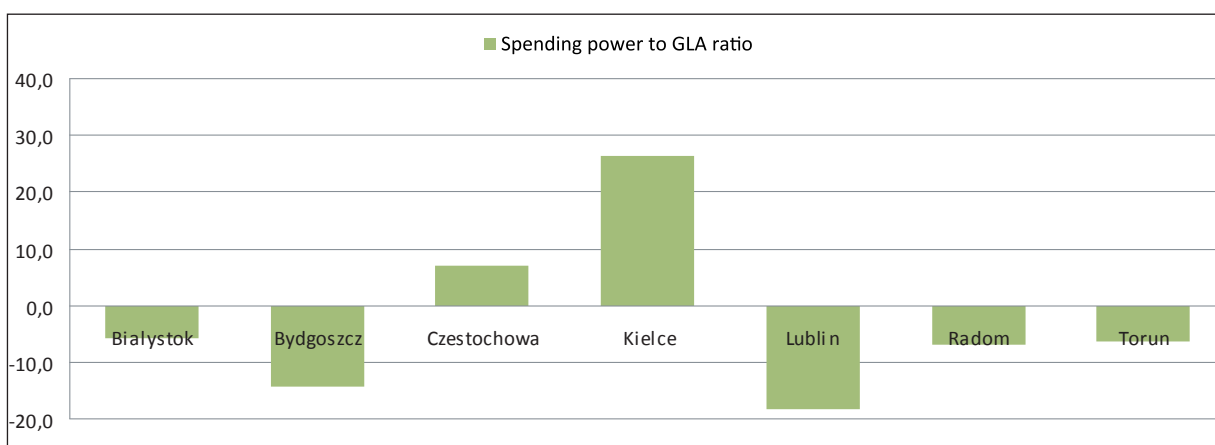


Source: PRCH Retail Research Forum, February 2012

comes onto the market, the spending power per square metre will reach PLN 40,000 (the spending power to retail space saturation ratio being 20% above the agglomeration average), while in the Warsaw Agglomeration it will exceed PLN 60,000 (20% below the agglomeration average). If all the schemes under construction are completed in

the seven cities inhabited by 200,000-400,000 people the average provision of retail space per 1,000 inhabitants will rise to 582 sq.m and the spending power per square metre will be PLN 41,000. These figures will be close to those for the Wrocław Agglomeration. Lublin with PLN 49,000 per square metre is the leader among

Spending power to GLA ratio in cities with 200,000-400,000 inhabitants

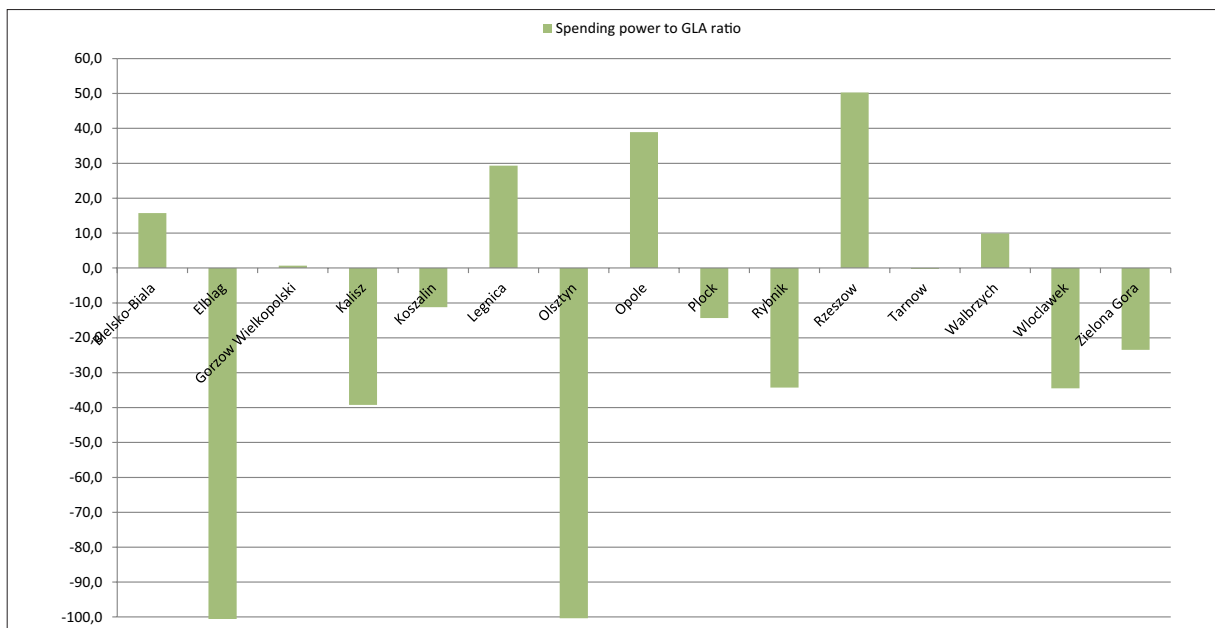


Source: PRCH Retail Research Forum, February 2012

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Spending power to GLA ratio in cities with population between 100,000 and 200,000



Source: PRCH Retail Research Forum, February 2012

cities of this size. It illustrates that the overall spending potential and the willingness to spend money in shopping centres are not necessarily the same. It is not only a question of the effect of low modern space supply, but of local features of the market affecting shopping patterns. Kielce is an outstanding city with the spending power to retail space saturation ratio of 27% higher than the average for the cities inhabited by 200,000-400,000 people.

The average provision of retail space per 1,000 inhabitants in Poland's fifteen cities inhabited by 100,000-200,000 people stands at 775 sq.m. The strongest competition for consumers' money is in Opole, where the value of the spending power per square metre of the total provision of 1,390 sq.m per 1,000 inhabitants is only PLN 19,000. By

contrast, it amounts to PLN 15,000 in Rzeszów, which is a larger town.

The largest differences between the spending power potential are among 54 towns with population below 100,000. They result mainly from the size and varied attractiveness of such towns. The provision of retail space averages 506 sq.m per 1,000 inhabitants and the spending power stands at nearly 51,000 per sq.m. In wealthy Bełchatów with its population of 60,000, for instance, the spending power per square metre now stands at PLN 166,000 and if all the schemes under construction are completed, this figure will drop to PLN 29,000. In Biała Podlaska, which is much less affluent, the spending power is PLN 85,000 per square metre.

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The above analysis shows that on the Polish market the construction phase is turning into a customer retention phase and in some locations this has already happened. However, we can obtain the full picture of the market only if our analysis of retail space provision takes account

of the fact that shopping patterns are varied and depend on the region and culture, and of factors affecting consumer behaviour such as changing shopping habits, inflation draining the growing spending power and the continued risk of an economic crisis.

8. About Retail Research Forum

The Retail Research Forum (RRF) is represented by a group of professional analysts and consultants who have operated on the commercial property market for many years: Cushman & Wakefield, DTZ, Jones Lang LaSalle, CBRE, Colliers International, GfK Polonia **in cooperation with and under the patronage of the Polish Council of Shopping Centers (PRCH).**

The goals of the RRF are to:

- share knowledge of and views on the retail property market in Poland on a regular basis;
- publish statements and reports on the Polish retail market in accordance with the standards and definitions of the International Council of Shopping Centers (ICSC).

Definitions

The following definitions were used in this publication in compliance with ICSC standards:

Shopping Centre - a retail property that is planned, developed and managed as a single entity, comprising units and common areas, with a minimum gross leasable area (GLA) of 5,000 sq.m, and a minimum of ten retail units.

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

Factory Outlet Center - 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 applied the above definitions to classify all retail properties in Poland and to provide consistent information on the provision of shopping centres.

For the purpose of this publication, the agglomerations/urban areas included the following:

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, Kobylka, Wołomin and Zielonka.

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Katowice Conurbation: Będzin, Bytom, Chorzów, Czeladź, Dąbrowa Górnicza, Gierałtów, 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, 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 the 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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10. Contact details



Katarzyna Michnikowska

Senior Analyst
Valuation & Advisory Services
Cushman & Wakefield
Tel: +48 22 820 20 20
katarzyna.michnikowska@eur.cushwake.com



Dominika Jędrak

Director
Research & Consultancy
Colliers International
Tel: +48 22 331 7800
dominika.jedrak@colliers.com



Karina Kreja

Associate Director,
Research & Consultancy
CB Richard Ellis Polska
Tel: +48 22 544 8000
karina.kreja@cbre.com



Patrycja Dzikowska

Associate Director
Research & Consultancy
Jones Lang LaSalle
Tel: +48 22 318 00 00
patrycja.dzikowska@eu.jll.com



Przemysław Dwojak

Department Director,
GfK Polonia, Customer Analytics & Sales
Strategies
Tel: +48 22 43 41 611
przemyslaw.dwojak@gfk.com



Radosław Knap

Development Manager
Polish Council of Shopping Centres
Tel: +48 512 402 291
rknap@prch.org.pl



Olga Dreła

Consultant,
Consulting & Research
DTZ
Tel: +48 22 222 31 34
olga.drela@dtz.com



Małgorzata Gajuk

Research Specialist
Polish Council of Shopping Centres
Tel: +48 22 629 23 81
mgajuk@prch.org.pl

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Polska Rada Centrów Handlowych
Polish Council of Shopping Centres

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Plaza Toruń



Galeria Echo, Kielce – 2011 extension



Factory Kraków



Galeria Kaskada, Szczecin



Galeria Tęcza, Kalisz



Silesia City Center, Katowice – 2011 extension

