Research Report
Poland | Retail Market

Return of the big cities

Accelerating success.

Contents

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INTRODUCTION

In this report, we want to draw your attention to the coming wave of supply of modern retail space in the largest Polish agglomerations. It will increase the amount of good quality space available for lease. After a period of increased activity among developers in the medium-sized and smaller towns and cities, we are now witnessing the construction of new retail schemes in each of the major Polish agglomerations. The largest amount of space delivered to the market will be in Warsaw where no full-scale retail schemes have been delivered to the market in the last 7 years. Should you need more detailed information, please contact Colliers International.

Source: Ministry of Sport and Tourism, Civil Aviation Authority, data for 2013

Agglomeration	Population	Purchasing power EUR per capita annually *	Stock	Pipeline till 2017
Warsaw agglomeration	2.5 mln	10,478	1.4 mln	400,000
Kraków agglomeration	1 mln	7,117	550,000	45,000
Łódź agglomeration	978,000	6,790	503,000	50,000
Wrocław agglomeration	784,000	7,929	600,000	130,000
Poznań agglomeration	820,000	7,431	612,000	150,000
Tricity agglomeration	1 mln	7,593	692,000	95,000
Upper Silesia	2.2 mln	7,512	1.1 mln	110,000

* data for main cities

Source: Colliers International, GfK Polonia

Galeria Piaseczno, Immochan, Piaseczno

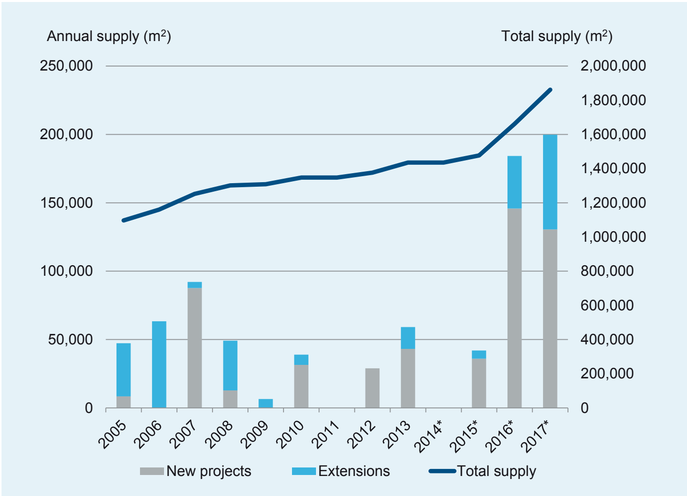
Retail market in the Warsaw agglomeration

The Warsaw agglomeration is the largest and the most competitive retail market in Poland. The total stock amounts to 1.4 million m² GLA in 43 schemes. Despite the significant amount of stock, the retail space density ratio is at an average level - 569 m² GLA/1,000 inhabitants. The retail market in Warsaw has developed systematically since the beginning of the 1990s, but the greatest amount of supply and the most interesting projects were built between 2000 and 2007, which include: Arkadia, Złote Tarasy, Galeria Mokotów, Blue City as well as the Centrum Handlowe Janki, Park Handlowy Janki and Park Handlowy Targówek out of town retail hubs. The vacancy rate in the Warsaw agglomeration is one of the lowest among major Polish retail markets - at the end of H1 2014 it stood at 2.7%. Premises in good quality shopping centres are unavailable, while interest in leasing them is very high. Prime rents are achieving record levels of EUR 95-100 /m²/month. New supply in the Warsaw agglomeration is expected to appear in 2015-2017, when various investments will be delivered to the market, including district shopping centres, convenience shopping centres and mix-use projects, as well as modernisations and extensions of older schemes.

In Colliers opinion

"In Warsaw, since the construction of Złote Tarasy was completed in 2007, no full scale shopping centre has been delivered to the market. Within the next three years, the deficit in good quality space for lease will be satisfied by new retail investments totalling 400,000 m² GLA. New retail schemes will be delivered to the market in both the north and south parts of Warsaw as well as in satellite towns. The increase of space availability in the agglomeration will not lead to a decrease in rental rates. However, it will significantly extend the variety of choices not only for current tenants present in Poland but also for those who plan to enter the market."

Total retail stock and annual supply in the Warsaw agglomeration 2005-2017*



Source: Colliers International,*forecast, November 2014

POPULATION (AGGLOMERATION)	PURCHASING POWER (ANNUALLY)	PURCHASING POWER INDEX	TOTAL STOCK	NO OF SHOPPING CENTRES	RETAIL SPACE DENSITY RATIO (m² GLA/1,000 inhabitants)	SPACE UNDER CONSTRUCTION	NO OF SHOPPING CENTRES UNDER CONSTRUCTION/ EXTENSION	PIPELINE 2015-2017	VACANCY RATE	PRIME RENTAL RATES (PREMISE OF 100 m²)
2.5 mln	EUR 10,478 per capita	178.5% national average	1.4 mln m² GLA	43	569	46,500 m² GLA	4	400,000 m² GLA	2.7%	EUR 95-100 /m²/month

Source: Colliers International, November 2014

Serenada, Mayland Real Estate, Kraków

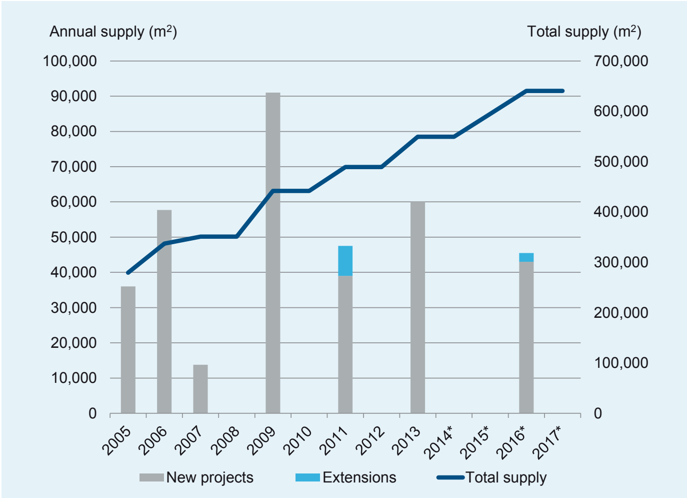
Retail market in the Kraków agglomeration

The retail stock in the Kraków agglomeration amounts to 550,000 m² GLA in 15 schemes. The retail space density ratio totals 536 m²/1,000 inhabitants. Historically, the largest amount of retail space in Kraków was delivered to the market between 2005 and 2009. Most full-scale shopping centres such as Galeria Krakówska, Galeria Kazimierz and Bonarka City Center were built during that time. Currently, the Kraków retail market is in equilibrium in terms of demand and supply. The vacancy rate amounts to 3.4% and is falling. Retail rents in the city are in the range of EUR 45-47/m²/month (100 m² for a fashion sector tenant). The main pipeline project in Kraków planned to be completed in the next three years is the Serenada shopping centre.

In Colliers opinion

”Due to the lack of speculative investments, the Kraków market is continually developing together with the increased need for modern retail space. There are still undeveloped plots in Kraków that are of interest to tenants, developers and investors. Huge residential areas are being targeted – in the district of Mistrzejowice construction of the Serenada retail project has already started. We expect that in the coming years an increase in modern retail space will be noticed due to extensions and modernisations of existing schemes that are in stabilised locations. Rental rates for retail space and the vacancy rate are expected to remain unchanged.”

Total retail stock and annual supply in the Kraków agglomeration 2005-2017*



Source: Colliers International,*forecast, November 2014

POPULATION (AGGLOMERATION)	PURCHASING POWER (ANNUALLY)	PURCHASING POWER INDEX	TOTAL STOCK	NO OF SHOPPING CENTRES	RETAIL SPACE DENSITY RATIO (m² GLA/1,000 inhabitants)	SPACE UNDER CONSTRUCTION	NO OF SHOPPING CENTRES UNDER CONSTRUCTION/ EXTENSION	PIPELINE 2015-2017	VACANCY RATE	PRIME RENTAL RATES (PREMISE OF 100 m²)
1 mln	EUR 7,117 per capita	122% national average	550,000 m² GLA	15	536	-	-	45,000 m² GLA	3.4%	EUR 45-47 / m²/month

Source: Colliers International, November 2014

Sukcesja, Fabryka Biznesu, Łódź

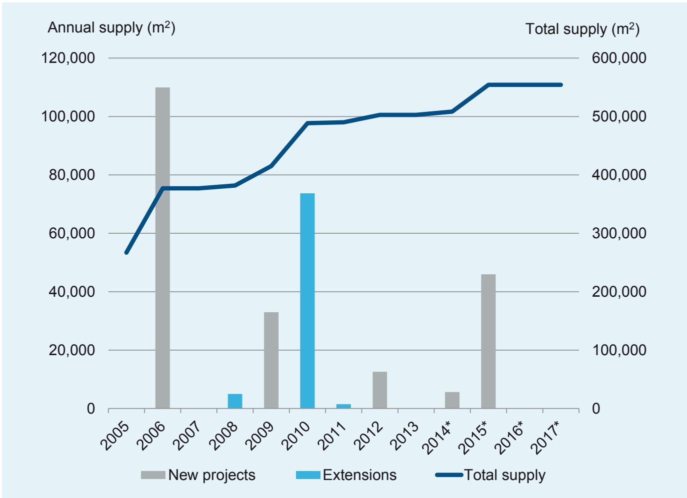
Retail market in the Łódź agglomeration

The Łódź agglomeration, the fifth urban centre in Poland in terms of size, is a retail market with over 500,000 m² GLA (14 shopping centres) and a retail space density ratio at a level of 510 m² GLA/1,000 inhabitants. While in the period 1997-2001, most shopping centres consisted of a hypermarket with a range of shops, after 2002, projects with a more diverse retail-entertainment offer were built. One of them was Manufaktura (opened in 2006) built in the place of the former Izrael Poznański factory complex. Due to the fact that within the last four years no new shopping centres have been delivered to the market, the vacancy rate is declining and currently stands at 2.8%. Two projects – Sukcesja, which is due to open in spring 2015, and the small convenience shopping centre Vis à Vis – are currently under construction in the city. Retail rents in shopping centres in Łódź are in the range EUR 39-41/m²/month (100 m² for the fashion sector).

In Colliers opinion

“Due to changes that can be observed in Łódź, including large-scale revitalisation projects, an improvement in the economic and labour market and consequently a slow increase in purchasing power among people living in Łódź can be observed. The development of the office market, improvements in infrastructure and the availability of qualified staff will make Łódź an interesting city for investors, including those from the BPO sector. Due to new investments being developed now such as Sukcesja (46,000 m² GLA), the availability of modern retail space will increase. Both the vacancy rate and rental rates will vary, remaining stable in the best projects and locations while secondary schemes will be under the pressure caused by the increase in competition.”

Total retail stock and annual supply in the Łódź agglomeration 2005-2017*



Source: Colliers International,*forecast, November 2014

POPULATION (AGGLOMERATION)	PURCHASING POWER (ANNUALLY)	PURCHASING POWER INDEX	TOTAL STOCK	NO OF SHOPPING CENTRES	RETAIL SPACE DENSITY RATIO (m² GLA/1,000 inhabitants)	SPACE UNDER CONSTRUCTION	NO OF SHOPPING CENTRES UNDER CONSTRUCTION/ EXTENSION	PIPELINE 2015-2017	VACANCY RATE	PRIME RENTAL RATES (PREMISE OF 100 m²)
978,000	EUR 6,790 per capita	114.2% national average	503,000 m² GLA	14	510	50,000 m² GLA	2	-	2.8%	EUR 39-41 / m²/month

Source: Colliers International, November 2014

Park Handlowy Bielany, Inter IKEA Centre Polska S.A., Bielany Wrocławskie

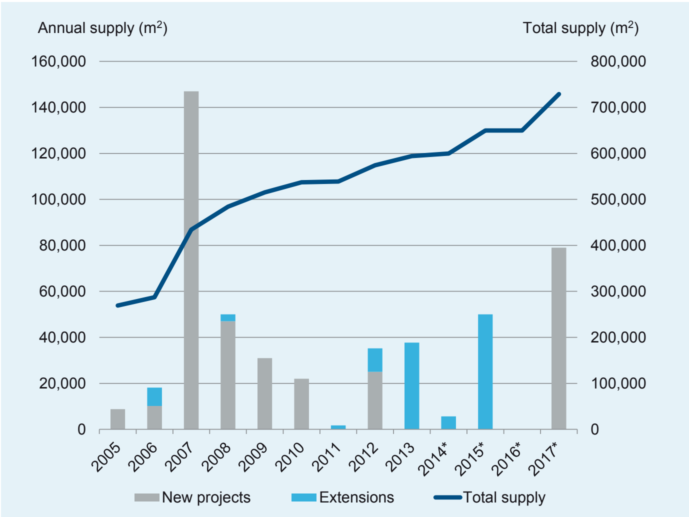
Retail market in the Wrocław agglomeration

There are about 600,000 m² GLA in the Wrocław agglomeration within 18 shopping centres, with a retail space density ratio of 770 m²/1,000 inhabitants, which is, along with the ratio noted in Poznań, one of the highest among the eight major Polish agglomerations. The retail market in the Wrocław agglomeration has been developing continuously since the 1990s, but the most interesting retail projects were built in the city after 2000, including Galeria Dominikańska, Pasaż Grunwaldzki and Magnolia Park. Wrocław is a well-developed, mature retail market. Customers can do their shopping in small convenience shopping centres, medium-sized central shopping centres as well as in the huge suburban retail parks. The vacancy rate in the Wrocław agglomeration stands at 2.5%. Rents for Wrocław's retail space are in the range EUR 43-45 /m²/month (100 m² for the fashion tenant).

In Colliers opinion

"Even though there is a relatively high density ratio of modern retail space in Wrocław, there are still many interested investors who believe that the potential of purchasing power of residents has increased enough for space to be absorbed by tenants. As confirmation of the idea that in a competitive market the key to success is a good location, Park Handlowy Bielany, Magnolia Park and a planned new investment at a bus station, all of which have a stabilised position in the market, are being extended now. It can be predicted that due to the increase in competition in the secondary schemes, vacant space will increase and rental rates will decrease."

Total retail stock and annual supply in the Wrocław agglomeration 2005-2017*



Source: Colliers International,*forecast, November 2014

POPULATION (AGGLOMERATION)	PURCHASING POWER (ANNUALLY)	PURCHASING POWER INDEX	TOTAL STOCK	NO OF SHOPPING CENTRES	RETAIL SPACE DENSITY RATIO (m² GLA/1,000 inhabitants)	SPACE UNDER CONSTRUCTION	NO OF SHOPPING CENTRES UNDER CONSTRUCTION/ EXTENSION	PIPELINE 2015-2017	VACANCY RATE	PRIME RENTAL RATES (PREMISE OF 100 m²)
784,000 mln	EUR 7,929 per capita	137% national average	600,000 m² GLA	18	770	50,000 m² GLA	2	80,000 m² GLA	2.5%	EUR 43-45 / m²/month

Source: Colliers International, November 2014

Posnania, Apsys Polska, Poznań

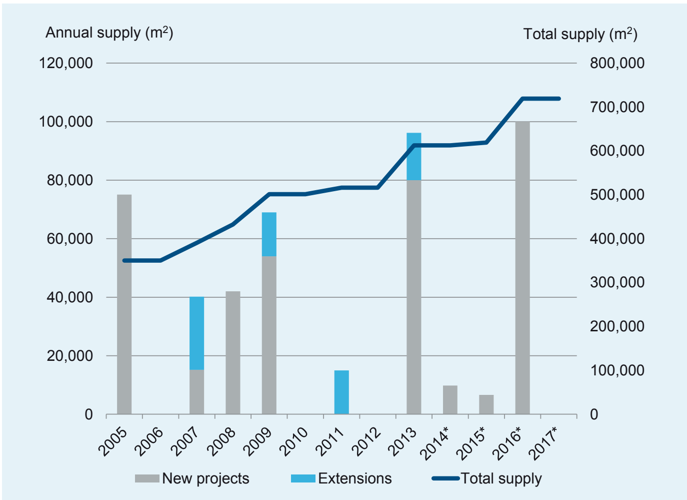
Retail market in the Poznań agglomeration

The Poznań agglomeration's modern retail stock totals 612,000 m² GLA within 18 projects. The retail space density ratio, one of the highest among the eight agglomerations, amounts to 751 m² GLA/1,000 inhabitants and can be compared with Wrocław. The Poznań market is well-developed with a wide range of shopping centres. The flagship shopping centre is Stary Browar, located in the central zone in the place of the former Hugger brewery, and offers retail and office space, restaurants and a hotel. The vacancy rate in Poznań is 3.8% and due to the high density ratio and the expected development of further projects it is exhibiting an upward trend. Three shopping centres are currently under construction in the city, led by Posnania with 100,000 m² GLA. In the next three years, an additional 34,000 m² GLA of retail space could be developed in the city in the Metropolis project. Retail rents in Poznań are in the range EUR 45-47/m²/month (100 m² for the fashion sector).

In Colliers opinion

"An additional 100,000 m² GLA in the Posnania retail scheme will be delivered to the market, which is already highly saturated. A new project of this size may cause a delay in the completion of other planned retail schemes, an increase in the vacancy rate and a decrease in rental rates. It will mainly be older schemes that will suffer as well as those located peripherally with respect to the target group of customers. The Poznań retail market is becoming a tenants' market where retail chains will have wide range of choices in terms of space and negotiating beneficial lease conditions."

Total retail stock and annual supply in the Poznań agglomeration 2005-2017*



Source: Colliers International,*forecast, November 2014

POPULATION (AGGLOMERATION)	PURCHASING POWER (ANNUALLY)	PURCHASING POWER INDEX	TOTAL STOCK	NO OF SHOPPING CENTRES	RETAIL SPACE DENSITY RATIO (m² GLA/1,000 inhabitants)	SPACE UNDER CONSTRUCTION	NO OF SHOPPING CENTRES UNDER CONSTRUCTION/ EXTENSION	PIPELINE 2015-2017	VACANCY RATE	PRIME RENTAL RATES (PREMISE OF 100 m²)
820,000	EUR 7,431 per capita	126% national average	612,000 m² GLA	18	751	116,000 m² GLA	3	34,000 m² GLA	3.8%	EUR 45-47 / m²/month

Source: Colliers International, November 2014

Forum Radunia, Multi Development, Gdańsk

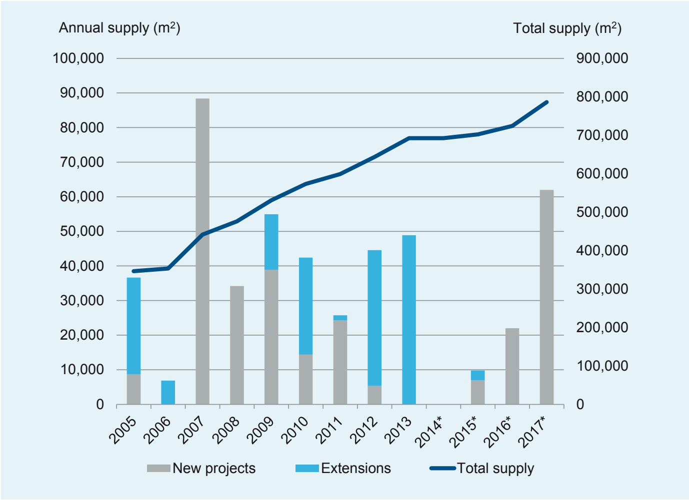
Retail market in the Tricity agglomeration

The total stock in Tricity amounts to 692,000 m² GLA (25 schemes), giving a retail space density ratio of 678 m²/1,000 inhabitants. Despite the fact that most of the retail space in Tricity was delivered to the market after 2000, many projects do not meet tenant and client needs in terms of convenience and leisure. Nevertheless, improvements and changes in quality can be seen in the market. Dom Mody Klif, built in 1996, was modernised and extended in 2009. Centrum Riviera, located in Gdynia and delivered to the market in Q4 2013, is a flagship example of the extension, modernisation and re-positioning process. The vacancy rate in Tricity is stable and at the end of 2013 stood at 3.2%. Of great interest for tenants was the commercialisation process of Forum Radunia in Gdańsk near the Main Railway Station. A mix-use project, Galeria Metropolia (22,000 m² GLA) in Gdansk Wrzeszcz, is under construction and is due to open in 2015/2016. Retail rents in Tricity are in the range EUR 41-43/m²/month (100 m² for the fashion sector).

In Colliers opinion

“Due to the urban structure of Tricity, most existing retail schemes are located along two main transport arteries: Al. Zwycięstwa/Al. Grunwaldzka and the Tricity bypass. This is why there is no dominant project in the central zone and public transport access is difficult. Large-scale transport investments, including the Pomorska Kolej Metropolitarna rail link, will contribute to the increase in popularity of retail projects located next to interchanges. The first full scale shopping centre in Tricity’s central zone will be Forum Radunia nearby Gdańsk Główny railway station. Re-positioning of older stock is also taking place in Tricity, including the modernisation of CH Morena shopping centre.”

Total retail stock and annual supply in the Tricity agglomeration 2005-2017*



Source: Colliers International,*forecast, November 2014

POPULATION (AGGLOMERATION)	PURCHASING POWER (ANNUALLY)	PURCHASING POWER INDEX	TOTAL STOCK	NO OF SHOPPING CENTRES	RETAIL SPACE DENSITY RATIO (m² GLA/1,000 inhabitants)	SPACE UNDER CONSTRUCTION	NO OF SHOPPING CENTRES UNDER CONSTRUCTION/ EXTENSION	PIPELINE 2015-2017	VACANCY RATE	PRIME RENTAL RATES (PREMISE OF 100 m²)
1 mln	EUR 7,593 per capita	129.4% national average	692,000 m² GLA	25	678	32,000 m² GLA	1	61,000 m² GLA	3.2%	EUR 41-43 / m²/month

Source: Colliers International, November 2014

Supersam, Griffin Real Estate, Katowice

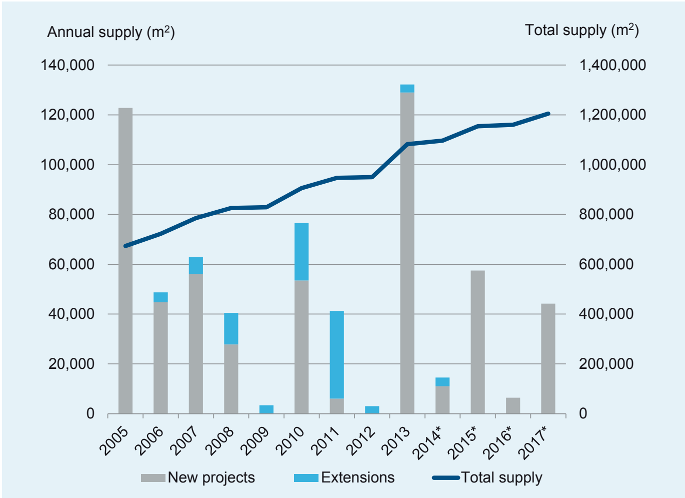
Retail market in Upper Silesia

There are 41 shopping centres, totalling 1.1 million m² GLA (495 m² GLA/1,000 inhabitants) in the Upper Silesia. The retail market in the region has been developing continuously since the 1990s, when the M1 shopping centres in Czeladź and Bytom were opened. In 2005, the biggest retail centre in Upper Silesia was built in Katowice – Silesia City Center. A significant amount of supply was delivered to the market last year when Galeria Katowicka (48,000 m² GLA) and Europa Centralna (67,000 m² GLA) were opened. The vacancy rate in the Katowice conurbation is stable at 3.4%. Developers' interest in the region is still high. Currently, further schemes are being built including Supersam in Katowice, Galeria Galena in Jaworzno and Marcredo Center in Piekary Śląskie. Gemini Park Tychy is one of the projects at an advanced level of planning. Rental rates for space in shopping centres in Upper Silesia vary, with the highest ones being noted in Katowice at EUR 45-47/m²/month (100 m² for a fashion tenant).

In Colliers opinion

"The relatively low density ratio in Upper Silesia in terms of retail space does not mean a shortage of supply in the region. Upper Silesia is a quite dispersed retail market with two centres (Katowice and Gliwice) with a significant amount of space located in both. Currently, developers' activity is focused in smaller urban centres. In the city centre of Katowice, a new investment is being carried out that mainly consists of the modernisation and reconstruction of the former department store Supersam. There are still some plots that are not being developed yet but are interesting for tenants, developers and investors. Each investment, however, needs an individual attitude and deep analysis."

Total retail stock and annual supply in Upper Silesia 2005-2017*



Source: Colliers International,*forecast, November 2014

POPULATION (AGGLOMERATION)	PURCHASING POWER (ANNUALLY)	PURCHASING POWER INDEX	TOTAL STOCK	NO OF SHOPPING CENTRES	RETAIL SPACE DENSITY RATIO (m² GLA/1,000 inhabitants)	SPACE UNDER CONSTRUCTION	NO OF SHOPPING CENTRES UNDER CONSTRUCTION/ EXTENSION	PIPELINE 2015-2017	VACANCY RATE	PRIME RENTAL RATES (PREMISE OF 100 m²)
2.2 mln	EUR 7,512 per capita	128% national average	1.1 mln m² GLA	41	495	75,000 m² GLA	6	35,000 m² GLA	3.4%	EUR 45-47 / m²/month

Source: Colliers International, November 2014

485 offices in 63 countries on 6 continents

United States: **146**
Canada: **44**
Latin America: **25**
Asia Pacific: **186**
EMEA: **84**

$1.63
billion in annual revenue

139
mln m^2 space under management

15,800
professionals and staff

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