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REPORT H2 2014



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Radosław Knap
Chief Operating Officer
Polish Council of Shopping
Centres

Dear Readers,

We proudly present to you another issue of a report of Retail Research Forum in which the experts working with the Polish Council of Shopping Centres analyze in depth the trade market in Poland and the changes it has undergone over the last six months. The publication is a result of work of a team of experts from 7 companies and several people engaged in the collection and processing of data which provide a reliable and objective view of the retail facilities market in Poland.

In the first chapter we analyze the total supply of modern retail space put into operation in 2014 which reached almost 500,000 sqm and was smaller than that opened in 2013 by almost a quarter, which is largely a result of the growing interest of developers and investors in towns with a population of up to 100,000 where the schemes built are typically smaller in size.

The second chapter is dedicated to the retail space density indicator with respect to modern retail facilities which one could observe at the end of 2014. As in the previous year, the size of new space delivered was not significant, hence the indicator has increased only slightly.

There were no significant changes in the structure of the formats of shopping centres. However, taking into consideration the retail space under construction, one can observe an increased share of retail parks. You can read more about the process in the third chapter.

A highly significant factor which reflects the state of every commercial property market is the vacant space indicator. In the fourth chapter you will find the newest data on the indicator for shopping centres in the fifteen largest cities and agglomerations. This is the most cross-sectional and comprehensive regular analysis of its type in Poland.

The fifth chapter covers the structure of tenants present in modern retail facilities. The authors analyzed the market also in terms of new brands. The collected data indicates that Poland is still popular among international brands which open new stores every year. The fact that Warsaw is typically their first destination, is probably determined by the purchasing power of consumers which indicators may suggest new directions for development of retail facilities or reassure the developers, asset managers, and retailers in their decisions. More information on the relation between purchasing power and retail space density is provided in chapter six.

The final chapter is dedicated to the investment market in Poland. Within the CEE region Poland remains an undisputed leader thanks to its stable economy, accounting liquidity on the commercial property market and availability of funding for the purchase of real estate property.



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H1 2014 Report PRCH Retail Research Forum

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1 The supply of modern retail space in Poland



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In 2014 474,700 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 10.31 million square meters of gross leasable area (GLA) at the end of 2014.

The structure of schemes put into use in 2014 is significantly different from previous years. For the first time, such small was the share of the largest cities, and 2% of overall supply of retail space in Poland shifted from the main agglomerations towards smaller ones – retail space put on the market in towns with a population of up to 100,000 generated almost half of the overall annual supply.

Moreover, the schemes opened in 2014 were much smaller (in terms of GLA) than in previous years.

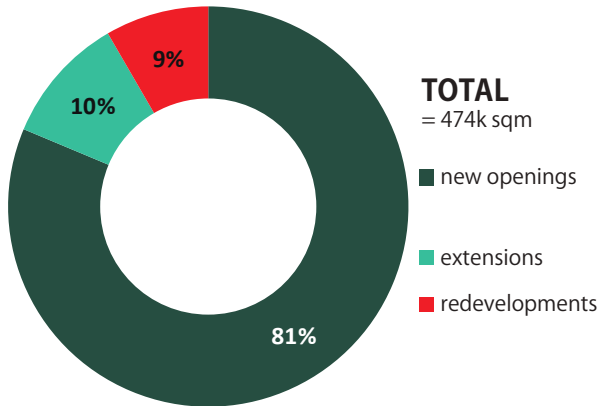
In 2014 11 new conventional shopping centres were put into operation, 12 retail parks, and one new outlet centre. Overall retail area of schemes built in 2014 reached 386,000 sqm. Another 49,000 sqm were generated as expansions of six schemes. Additional 40,000 sqm of retail area in stock in 2014 were put into use as redevelopments of three old schemes i.e. refurbishment, modernization, and extension which led to change of a scheme format. Hypermarket Carrefour in Sochaczew was renovated and gained a small retail park, changing its name to Sonata Park; in Miejsce Piastowe by Krosno next to DIY market OBI a retail park was put into use, and in December 2014 Outlet Białystok was opened as a successor of shopping centre Galeria Podlaska in Białystok.

Fig 1. The supply of modern retail space in Poland 1993-2014



Source: PRCH Retail Research Forum, 2nd half of 2014

Fig. 2. Shopping centres stock area opened in 2014



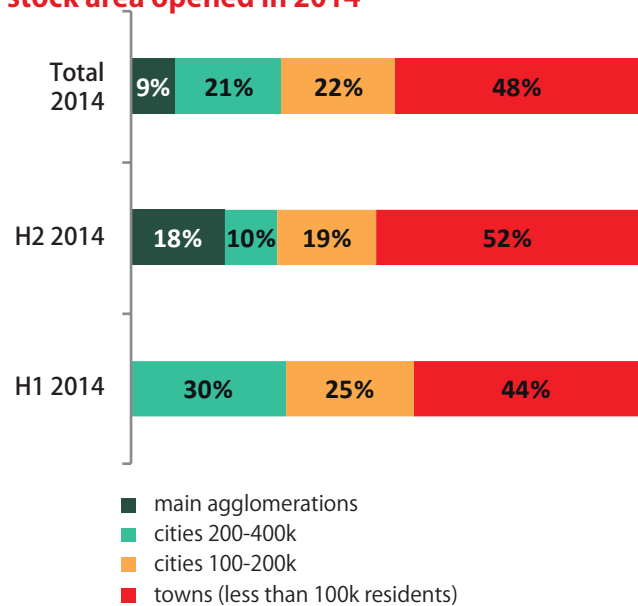
Source: PRCH Retail Research Forum, 2nd half of 2014

The overall supply of modern retail space in 2014 was smaller than that of the previous year by 23% – mainly due to the fact that the schemes put into use in 2014 were much smaller. In 2014 only two large shopping centres entered the market: Atrium Felicity in Lublin (75,000 sqm GLA) and Galeria Warmińska in Olsztyn (41,500 sqm), while in 2013 four new shopping centres have been opened with above 40,000 sqm each, and a large extension project was completed. Medium-sized retail facilities (i.e. 20,000 to 40,000 sqm GLA) opened in 2014 include: Galeria Siedlce, Galeria Amber in Kalisz, Galeria Bursztynowa in Ostrołęka and Vivo! Piła. Their total area is 118,300 sqm GLA (i.e. 25% of the new space put into use in 2014). The remaining area which constitutes around a half of the total supply in 2014 was put on the market in small retail facilities, i.e. schemes of area smaller than 20,000 sqm GLA. It refers to both the newly constructed conventional shopping centres, i.e. Galardia in Starachowice, Brama Mazur in Elk, Marcredo Center in Kutno, Galeria Dębiec in Poznań, and Pogodne Centrum in Oleśnica, as well as 12 retail parks which opened in 2014, and the outlet centre in Lublin. The three redevelopments finished in 2014 and the new retail space put into use as a result of the extension of six existing facilities also fit into this size category.

In generally, the average area of a new facility opened in 2014 is smaller by almost 30% than the average area of a facility put into operation in 2013.

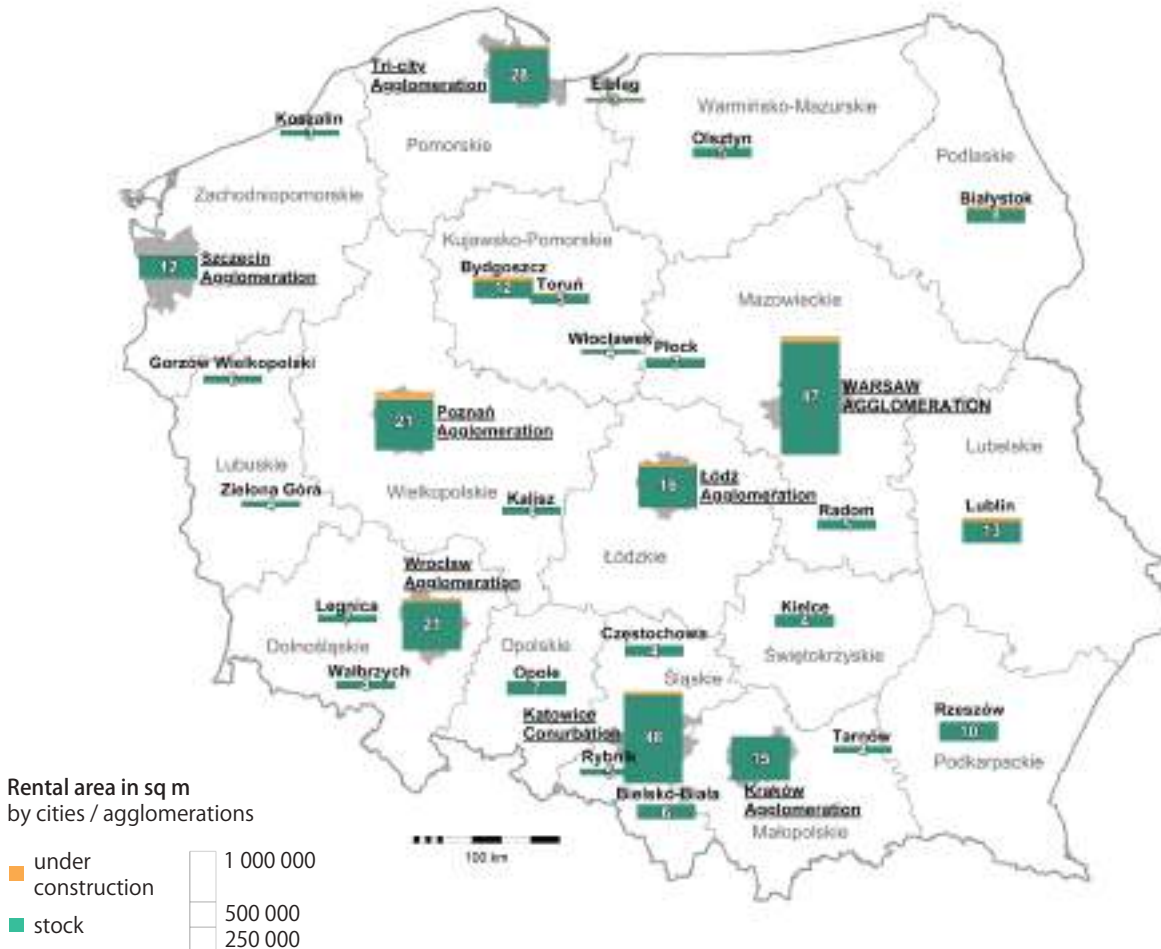
In 2014 almost half of the retail space was put into use in towns with a population of up to 100,000 (to compare, in 2013 it was 24%). Only 42,000 sqm, i.e. 9% of the overall annual supply, are situated in the 8 largest agglomerations (in 2013 almost 70%). For the first time in history, the share of the new retail space put into use in the largest agglomerations is so small. In 2014, the overall supply of retail space in Poland shifted towards towns with a population of up to 100,000 by 2% – the share of retail space in such cities increased from 15% to 17%. The share of retail space in regional cities, of 200-400,000 residents and smaller, 100-200,000 residents, remains the same and reaches 11% and 16% respectively.

Fig. 3. The structure of shopping centres stock area opened in 2014



Source: PRCH Retail Research Forum, 2nd half of 2014

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

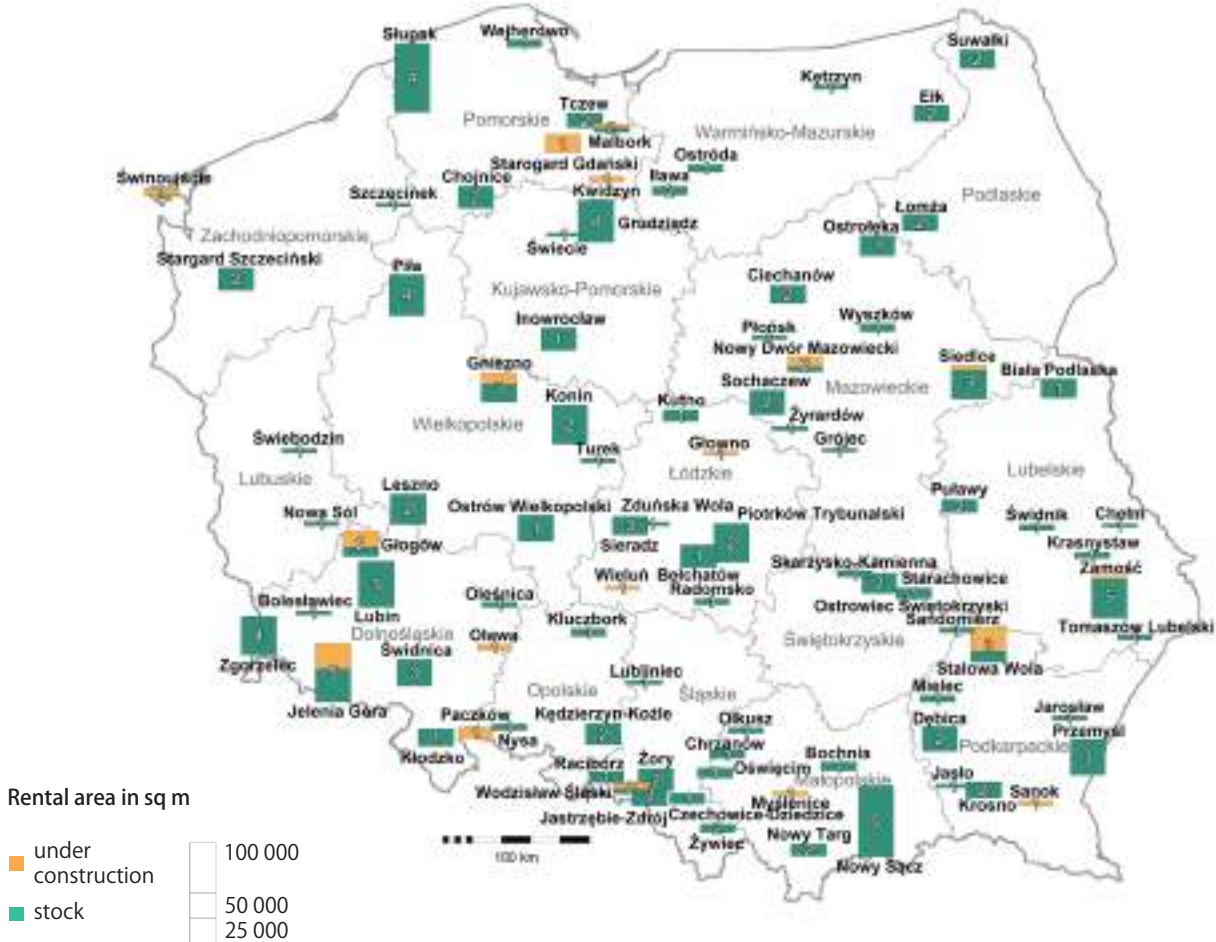


Source: GfK Polonia and PRCH Retail Research Forum, 2nd half of 2014

Currently, there are around 800,000 sqm of retail space under construction. Around 580,000 sqm out of that number are planned to be put into use in 2015. The largest new facilities to be opened in 2015 are: shopping centres Tarasy Zamkowe in Lublin, Zielone Arkady in Bydgoszcz, and lifestyle centre Sukcesja in Łódź. Extensions and reconstructions will form around 20%

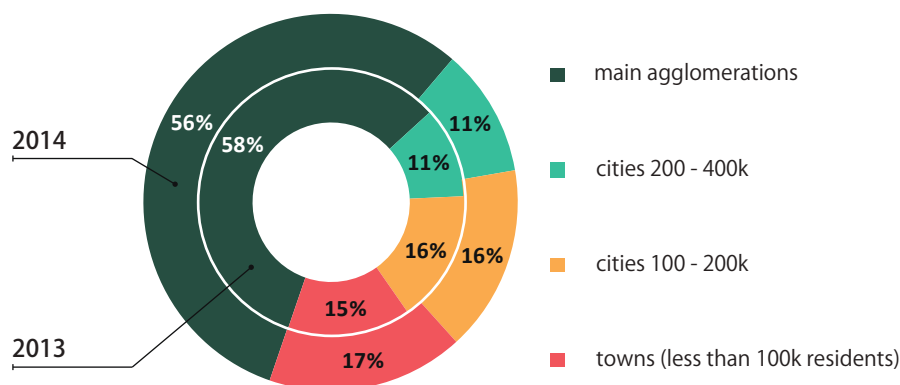
of the annual supply. Similarly to 2014, in 2015 the retail space to be put into use in small retail facilities (i.e. smaller than 20,000 sqm GLA) will constitute almost a half of the annual supply. Nearly a half of the retail space put on the market will be opened in towns with a population of up to 100,000. The prevailing trends of 2014 will hence remain unaltered.

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



Source: GfK Polonia and PRCH Retail Research Forum, 2nd half of 2014

Fig. 6. The structure of supply of retail space in Poland by the end of 2013 and 2014



Source: PRCH Retail Research Forum, 2nd half of 2014

Table 1. New openings in 2014 (in chronological order)

No.	Name	City	Quarter 2014	Format	GLA
1	Galeria Amber	Kalisz	Q1	SC	33,500
2	Atrium Felicity	Lublin	Q1	SC	75,000
3	Era Park Handlowy	Radomsko	Q1	RP	8,500
4	Galeria Siedlce	Siedlce	Q1	SC	34,000
5	Karuzela Park	Turek	Q2	RP	5,350
6	PH Żory	Żory	Q2	RP	5,000
7	Pogodne Centrum	Oleśnica	Q2	SC	7,700
8	Marcredo Kutno	Kutno	Q2	SC	16,000
9	Galeria Bursztynowa	Ostrołęka	Q2	SC	27,000
10	Karuzela Park	Lubliniec	Q2	RP	5,370
11	Ruda Park	Ruda Śląska	Q2	RP	6,500
12	Galeria Warmińska	Olsztyn	Q3	SC	41,500
13	Brama Mazur	Ełk	Q3	SC	17,000
14	PH Saller	Nowa Sól	Q3	RP	5,700
15	Stop.Shop	Kętrzyn	Q3	RP	5,360
16	Galeria Dębiec	Poznań	Q3	SC	9,800
17	Galeria Galardia	Starachowice	Q4	SC	18,500
18	Vendo Park	Chełm	Q4	RP	5,000
19	Galeria Vivo!	Piła	Q4	SC	23,800
20	Marcredo Piekary Śląskie	Piekary Śląskie	Q4	SC	8,000
21	Stara Cegielnia	Knurów	Q4	RP	6,000
22	Mila Park	Płońsk	Q4	RP	5,000
23	Outlet Center Lublin	Lublin	Q4	OC	10,500
24	Vis à Vis	Łódź	Q4	SC	5,650
25	Retail Park Bielsko	Bielsko-Biała	Q4	RP	6,300

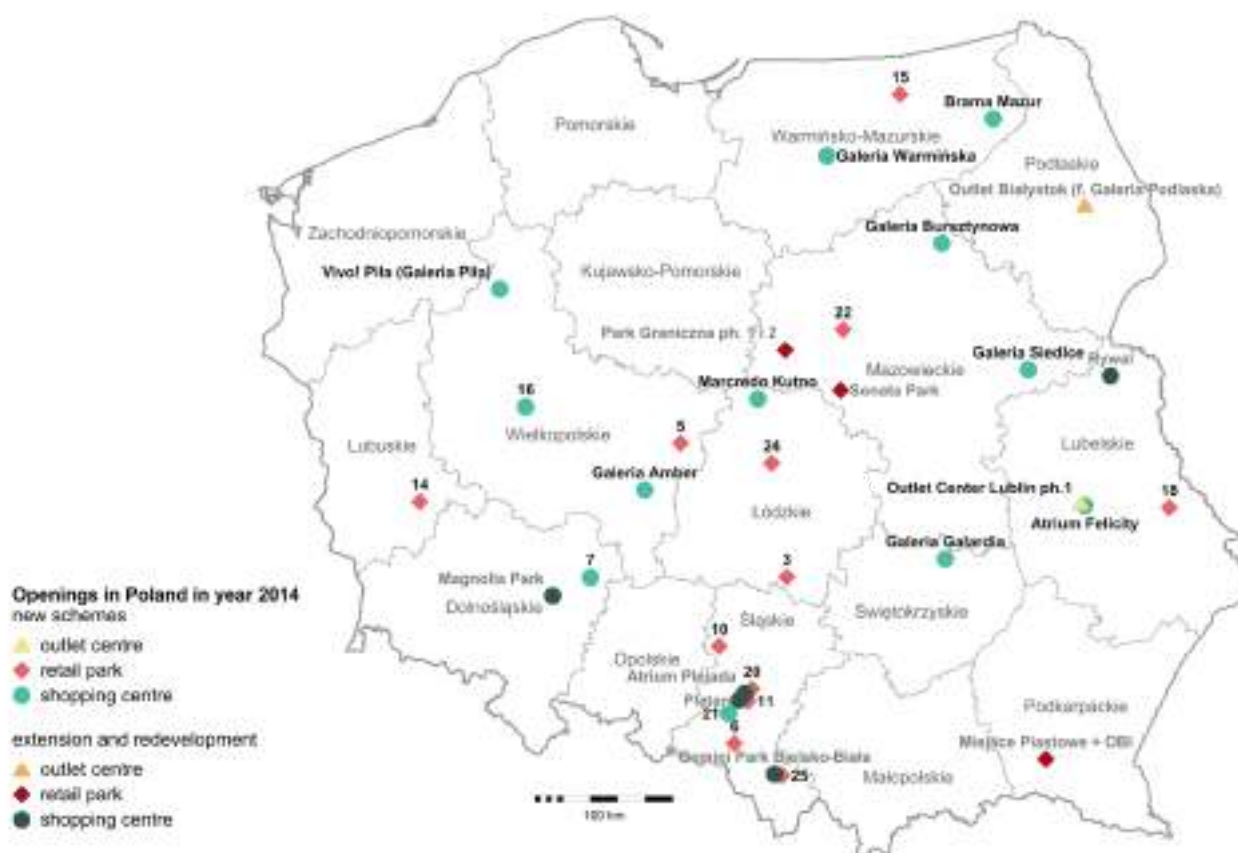
Source: PRCH Retail Research Forum, 2nd half of 2014

Table 2. New openings in 2014 - extensions, modernizations, and redevelopments (in chronological order)

Name	City	Quarter 2014	Format	GLA	Comments
Park Graniczna	Płock	Q1	RP	15,500	extension by 3,500 sqm
Gemini Park	Bielsko-Biała	Q2	SC	40,000	extension by 13,000 sqm
Magnolia Park	Wrocław	Q3	SC	82,600	extension by 5,700 sqm
CH Rywał	Biała Podlaska	Q4	SC	25,300	extension by 11,800 sqm
Sonata Park	Sochaczew	Q4	RP	11,000	redevelopment of a hyper-market (+6,200 sqm)
Miejsce Piastowe	Krosno	Q4	RP	15,200	redevelopment of a DIY market (+10,500 sqm)
Outlet Białystok	Białystok	Q4	OC	13,500	Redevelopment of a traditional shopping centre
Atrium Plejada	Bytom	Q4	SC	40,800	Sport market added (3,500 sqm)
Platan	Zabrze	Q4	SC	29,500	Small retail park added (3,000 sqm)

Source: PRCH Retail Research Forum, 2nd half of 2014

Fig. 7. New openings in 2014



Source: GfK Polonia and PRCH Retail Research Forum, 2nd half of 2014

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2 Retail space density indicator at the end of the second half of 2014



Jan Jakub Zombirt
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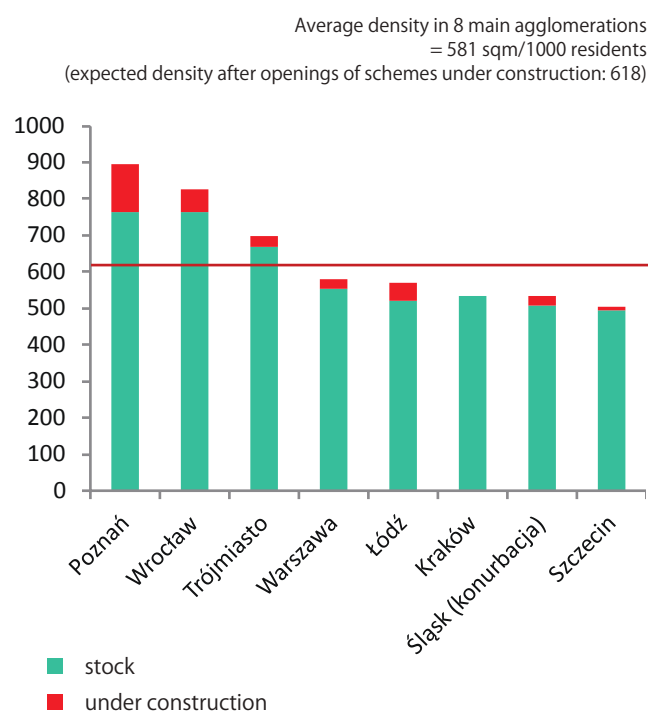
In the second half of 2014 the largest growth in retail space density was observed in the group of cities with a population of 100,000 to 200,000. Although in 2015 most of the retail space will be put into use in the main agglomerations, the most significant growth in density will be observed in the smallest cities, i.e. those with a population of up to 100,000.

At the end of 2014, the overall supply of retail space in modern retail facilities in Poland was 10,311,155 sqm, which was reflected by an average density indicator of 268 sqm / 1000 residents. The new facilities put into operation in the second half of 2014 made the indicator grow by 6 sqm / 1000 residents. Although most of the retail space (56%) is situated in the largest agglomerations, the density indicator for those areas is not the highest among all the categories of cities. Currently, for the eight largest agglomerations, its value is 582 sqm / 1000 residents. When compared to the first half of 2014, it increased merely by 3 sqm / 1000 residents.

The opening of Galeria Dębiec in Poznań with its 9,800 sqm GLA caused a growth in density in Poznań agglomeration up to 765 sqm / 1000 residents which got it ahead of Wrocław which had had the highest density indicator so far. The density indicator in the latter city reached 764 sqm / 1000 residents after the extension of Galeria Magnolia by 5,700 sqm. The retail space per 1000 residents also increased in: Katowice Conurbation by 8 sqm (after the Marcredo Center in Piekary Śląskie and Stara Cegielnia in Knurów were put into use), in Łódź by 6 sqm (where the Vis'a'Vis park of 5,700 sqm was completed). In the remaining

largest agglomerations the density remained unaltered. The lowest value is still observed in Szczecin where the indicator reaches 494 sqm / 1000 residents. After all the projects which are currently under construction are completed, the average density indicator in the largest metropolitan areas in Poland will increase by another 36 sqm and it will reach 618 sqm / 1000 residents.

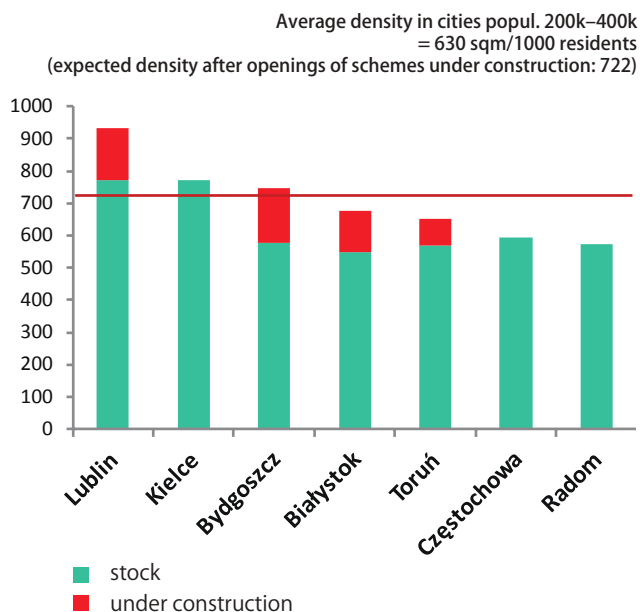
Fig. 9. Retail space density in sqm per 1000 residents in cities with a population of 200.000-400.000



Source: PRCH Retail Research Forum, 2nd half of 2014

In the second half of 2014 in the cities with a population of 200,000 to 400,000 a growth in retail space density of 11 sqm / 1000 residents, up to 630 sqm, was observed. It was mainly due to the opening of the first phase of the Outlet Center Lublin of area is 10,500 sqm. In this category of cities the highest density indicator is observed in Kielce and in Lublin which are characterized by the same density level – 772 sqm / 1000 residents. Taking into consideration the investments under construction in Lublin, after its completion the density indicator in the city will reach 932 sqm / 1000 residents which will make it one of the cities with the greatest retail space density in the country. New shopping facilities that increase the local density are being built in Bydgoszcz (Zielone Arkady with 50,000 sqm and the extension of Galeria Pomorska by 10,000 sqm), Białystok (Galeria Jurowiecka – 25,400 sqm, Outlet Center Białystok – 13,000 sqm), Lublin (Tarysy Zamkowe – 38,000 sqm, Park Handlowy

Fig. 9. Retail space density in sqm per 1000 residents in cities with a population of 200,000 – 400,000

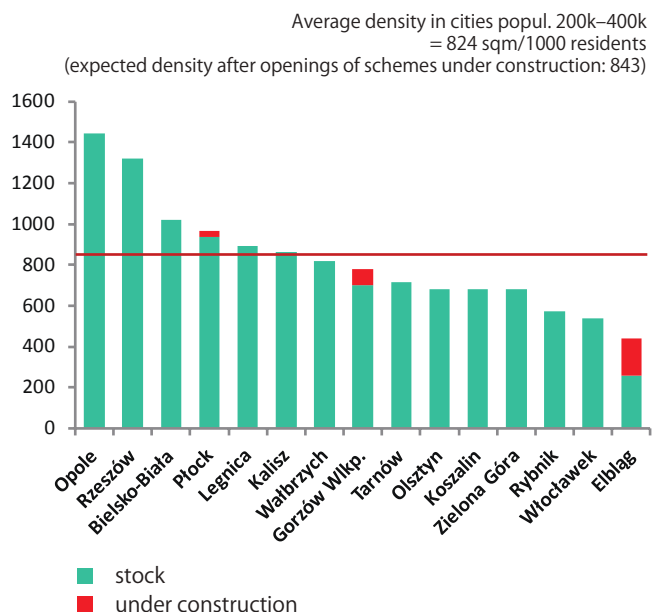


Source: PRCH Retail Research Forum, 2nd half of 2014

Kraśnicka – 17,100 sqm), and Toruń (extension of Atrium Copernicus by 17,000 sqm).

The cities with a population of 100,000 to 200,000 are characterized by the greatest retail space density – the indicator is on average 824 sqm / 1000 residents. Over the last six months such cities also experienced the greatest growth of the density indicator – by 25 sqm / 1000 residents. This is a result of the completion of two projects: Galeria Warmiska in Olsztyn with its 41,500 sqm and Retail Park Bielsko in Bielsko-Biała (6,300 sqm). The highest retail space density indicator per 1000 residents was observed in: Opole (1442 sqm), Rzeszów (1322 sqm), and Bielsko-Biała (1020 sqm), whereas the lowest was recorded in Elbląg (257 sqm), Włocławek (539 sqm), and Rybnik (571 sqm). In 2015 in this group of cities, the supply is expected to increase by nearly 36,000 sqm as reflected by the growth in density indicator up to 843 sqm / 1000 residents.

Fig. 10. Retail space density in sqm per 1000 residents in cities with a population of 100,000 – 200,000

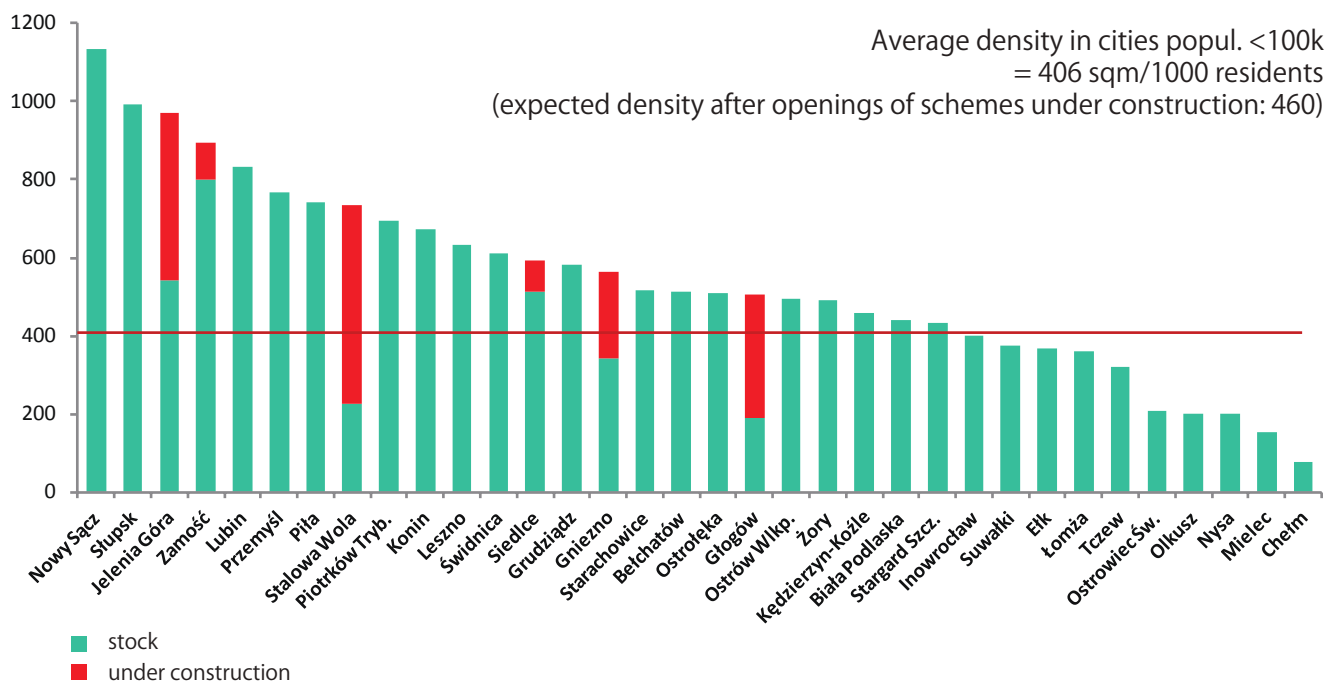


Source: PRCH Retail Research Forum, 2nd half of 2014

Towns with a population of below 100,000 are characterized by a relatively low retail space density – 406 sqm / 1000 residents. In the second half of 2014 in this group of cities the density indicator increased by 14 sqm / 1000 residents. Significant share in this increase have cities where the recently completed projects were first on the local market. Such was the case of e.g. Chełm (the opening of Vendo Park – 5,000 sqm), Nowa Sól

(Park Handlowy Saller – 5,600 sqm), and Kętrzyn (Stop.Shop – 5,400 sqm). The largest facility delivered on the market in towns with a population of up to 100,000 was the Vivo! Centre in Piła (23,800 sqm, see front cover of this report). Currently, developers have almost 240,000 sqm of new space under construction in this group of cities. Its completion will increase the average density level to 460 sqm / 1000 residents.

Fig. 11. Retail space density in sqm per 1000 residents in selected cities with a population smaller than 100,000



Source: PRCH Retail Research Forum, 2nd half of 2014

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3 Shopping centre formats in Poland



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Over the last years we have noticed changes in the structure of formats of new retail facilities, which is a result of the maturity of retail real estate market in Poland. Taking into consideration the modern retail space under construction, one can observe a decreasing share of conventional shopping centres. Naturally, conventional shopping

centres format prevails (87% of the overall GLA on the market), however, the schemes realized in this segment are diversified. One example could be the facilities integrated with public transport centres, or small convenience centres. 10% of retail space under construction is intended for retail parks (including the extensions of existing facilities).

Modern retail space can be classified into three major formats: conventional shopping centres, retail parks, and outlet centres. Since the very beginning of the development of modern retail space mar-

ket in Poland, the conventional shopping centre has been the most popular format. At the end of 2014, the format made up 89% of the overall resources on the market in Poland. The remaining 11% fall to retail parks (9%) and outlet centres (2%).

Although conventional shopping centres are a prevailing format on the market, it is a clearly diversified group. It comprises facilities whose space range from 5,000 sqm to over 100,000 sqm. The largest share, however, is represented by medium-sized facilities (20,000 – 40,000 sqm) – nearly 38% of the overall supply of the format. Over the last years we have observed diversification of the realized conventional shopping centres. One example could be the facilities integrated with public transport centres (e.g. Poznań City Center, Galeria Katowicka, planned Galeria Olsztyn Główny) which make use of the natural traffic generated by bus and train stations, or small convenience centres situated within large residential districts (e.g. Ferio Wawer in Warsaw) as well as in smaller cities (e.g. Dekada Grójec, Centrum Pogodne in Oleśnica).

Table 3. Modern retail space by formats

Format	Format supply in the 1st half of 2014 (sqm)	Total supply at the end of 2014 (sqm)	Share in retail
Traditional shopping centres	139,600	9,225,005	89%
Retail parks	65,100	896,160	9%
Outlet centres	24,000	189,900	2%
Total	228,700	10,311,155	100%

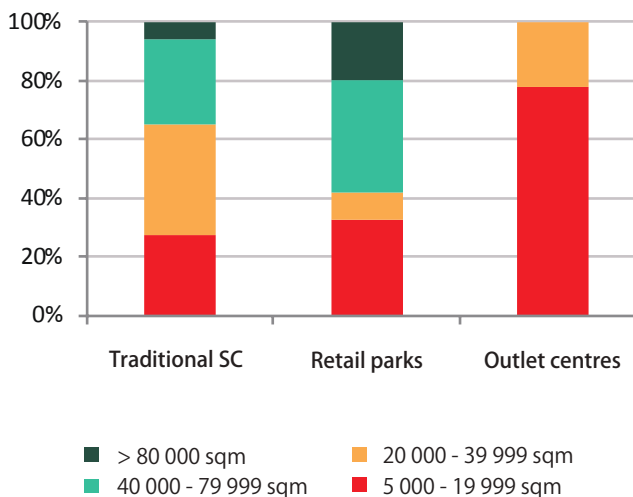
Source: PRCH Retail Research Forum, 2nd half of 2014

Out of the 45 existing retail parks 8 facilities have an area of more than 40,000 sqm which makes up 58% of the total volume of the format in Poland. However, one should note that these are mostly facilities constructed in 1995-2004 and subjected to extension in more recent years. Retail parks put into use within the last 3 years include mainly small facilities whose area is around 5,000 sqm – 19 out of 25 investments in the format completed since 2012 have GLA below 10,000 sqm. Only in the second half of 2014 the market was enriched with 7 small retail parks whose average leasable area is below 6,500 sqm (Vendo Park in Chełm, Mila Park Handlowy in Płońsk, Stop.Shop in Kętrzyn, Park Handlowy Saller in Nowa Sól, Vis'à'Vis in Łódź, Stara Cegielnia in Knurów, and Retail Park Bielsko in Bielsko-Biała). Developers carefully scrutinize the potential of markets in smaller cities which is reflected by the growing number of projects realized in such locations. Smaller markets require

an adequate concept for the project, a concept which will succeed on the local market and will be adjusted to the customers who have lower income than consumers in major agglomerations. This is why small retail parks are becoming more and more popular – the format is characterized by lower construction and operational costs and lower investment risk. By the end of 2014, 10% of retail space under construction is intended for retail parks (including the extensions of existing facilities).

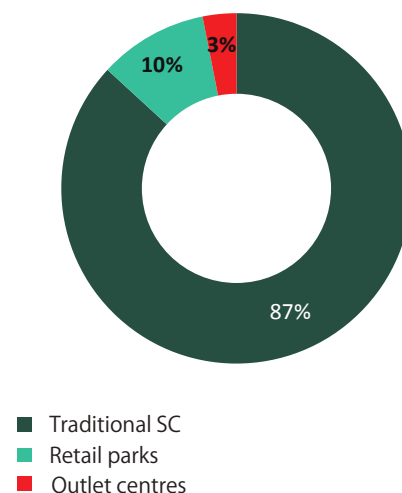
In the case of outlet centres, these are mainly facilities whose area is 10,500 to 22,000 sqm. In Poland there are currently 12 outlet centres in operation and most of them are situated in the eight largest agglomerations. In the second half of 2014 the first outlet centres opened in cities of up to 400,000 residents – Outlet Center Lublin (13,500 sqm) and Outlet Białystok (10,500 sqm, redevelopment of Galeria Podlaska).

Fig. 12. Shopping centre formats by size



Source: PRCH Retail Research Forum, 2nd half of 2014

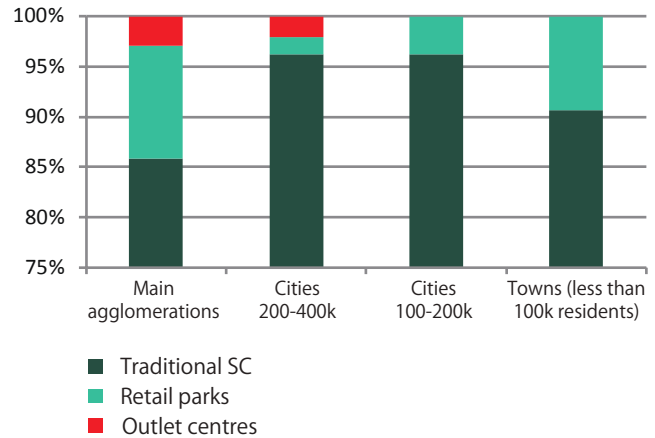
Fig. 13. Shopping centres under construction by format



Source: PRCH Retail Research Forum, 2nd half of 2014

As the development of modern retail in Poland has initiated in the largest agglomerations, these are currently the most mature and diversified markets in terms of available shopping centres formats in the country. The potential of markets in smaller cities has been used for a few years by developers who have focused on investments smaller in size. In these locations dominated by conventional shopping centres, more and more small retail parks (5,000 – 6,000 sqm) are being built. The tenants also adjust their offer to the type of retail facilities offering new concepts based on smaller leasable areas.

Fig. 14. The diversity of shopping centre formats



Source: PRCH Retail Research Forum, 2nd half of 2014

4 Shopping centre vacant retail space indicator



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CBRE

At the end of 2014 the vacant retail space indicator for the 15 largest cities in Poland dropped to 2,7%. Both the current results and trends are viewed positively, especially when compared to the results from the USA, where the vacant retail space indicator remains at the level of above 11%.

At the end of 2014 there was a measurement taken of the vacant space in 237 shopping centres in 15 largest cities and agglomerations in Poland, which in all make up 6.9 million sqm of GLA and constitute nearly 70% of the modern retail space in Poland. The study covered major agglomerations (8 largest cities with satellite towns, including Tricity with Rumia, and Silesia Conurbation composed of Bytom, Chorzów, Czeladź, Dąbrowa Górnicza, Gliwice, Katowice, Knurów, Mikołów, Mysłowice, Piekary Śląskie, Ruda Śląska, Siemianowice Śląskie, Sosnowiec, Świętochłowice, Tarnowskie Góry, Tychy and Zabrze), and 7 cities

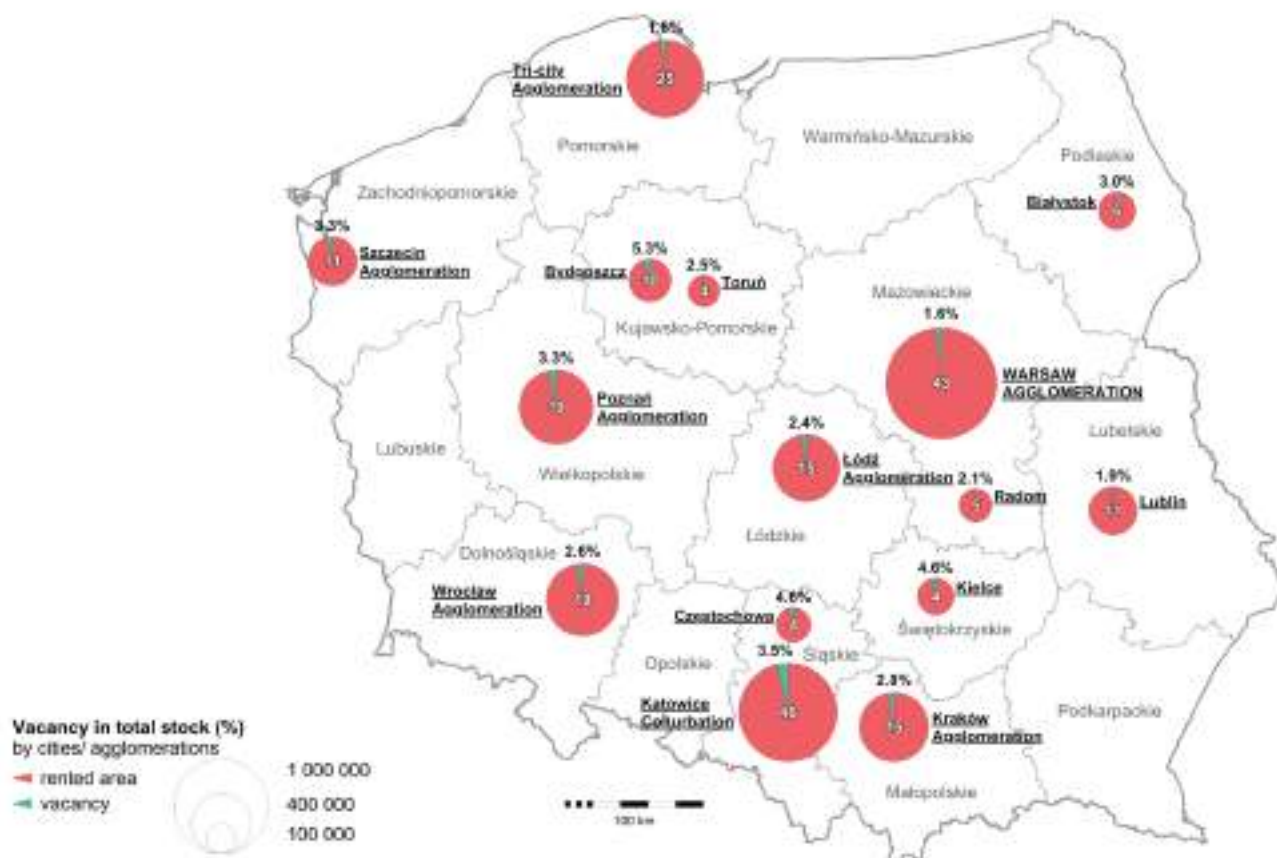
with a population of 200,000 – 400,000: Bydgoszcz, Białystok, Kielce, Lublin, Częstochowa, Radom, and Toruń. (For more information on the methodology of the audit of vacant space see chapter eight.)

The proportion of the vacant space indicator remains one of the most effective indicators of demand on the commercial property market. In the majority of cities covered by the study, when compared to the first half of 2014 the vacant retail space indicator dropped. The Wrocław Agglomeration, Radom and Katowice Conurbation are the only regions to maintain the same level of vacant space, while in Szczecin, Częstochowa and Lublin the indicator slightly increased. At the end of 2014 the lowest vacant space indicator (below 2%) was recorded in the Warsaw Agglomeration (a drop from 2.7% to 1.6%) and in the Tricity Agglomeration (1.8%). The decrease in the vacant space indicator in the Warsaw Agglomeration was caused by a technical change – reduction of the supply caused by the liquidation of Praktiker in Centrum Krakowska 61, while in the Tricity the decrease in vacant space was caused mostly

by further commercialization of Riviera shopping centre. On the other hand, Lublin is an example of a city where the vacant space indicator increased – the main reason behind that is the opening at the very end of the year of a facility which has not undergone full commercialization yet – Outlet Center Lublin. In the other largest agglomerations the vacant space indicator remains at the level of 2.4% – 3.5%. The situation is similar in Toruń and Białystok. The indicator exceeded 4% only in three cities: Bydgoszcz, Częstochowa, and Kielce. The decrease in the size of available retail space by nearly a half per cent in the Poznań and Łódź Agglomerations at the end of 2014 proves that in the recently opened shopping centres the retail space is gradually being leased.

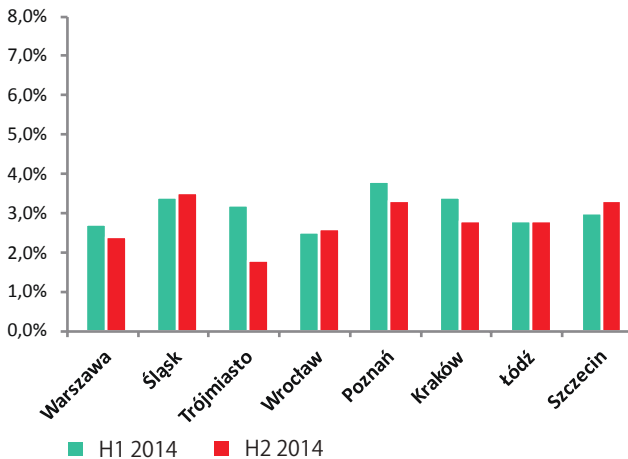
In the case of the eight largest agglomerations the overall vacant retail space indicator is still 2.5%. In cities with a population of 200,000 – 400,000 the percentage of vacant space is continuously decreasing, down to the level of 3.4% at the end of 2014. The average vacant retail space indicator at the end of 2014 for all cities in Poland covered by the study is 2.7%. Therefore, one can deem the data on the absorption of retail space in shopping centres in Poland to be optimistic. One should not compare the situation on the Polish market to the situation in the USA, where the vacant space indicator in shopping centres is three times as high as in Poland (around 11%).

Fig. 15. Vacant retail space indicator in 15 largest Polish cities



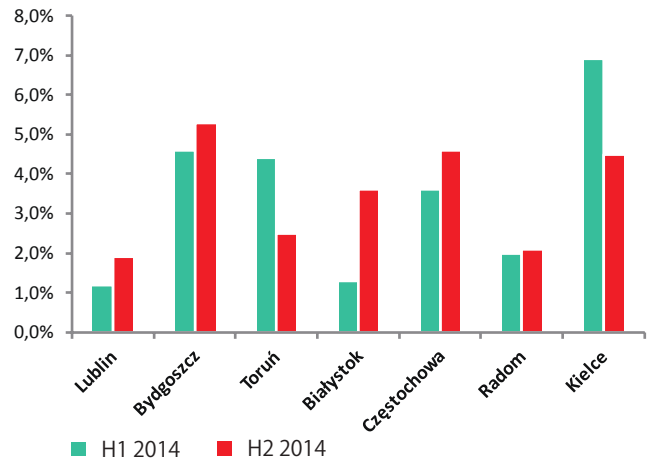
Source: GfK Polonia and PRCH Retail Research Forum, 2nd half of 2014

Fig. 16. Vacant retail space indicator in 8 main agglomerations in H1 and H2 2014



Source: PRCH Retail Research Forum, 2nd half of 2014

Fig. 17. Vacant retail space indicator in cities 200-400k population in H1 and H2 2014



Source: PRCH Retail Research Forum, 2nd half of 2014

5 Tenants and leasing structure in Polish shopping centres



Dominika Jędrak
Director, Research
and Consultancy Services
Colliers International

In 2014 nearly 40 new brands made their debut on the Polish market. It proves that our market is still popular among international retailers. We did not observe any significant changes in the structure of tenants of particular formats. However, one can observe the growing popularity of multichannel retailing.

In 2014 nearly 40 new international brands made their debut in Poland (a number similar to that recorded in 2013). The most interesting events include the opening in Złote Tarasy of the first in Europe widely available Avon Studio, or regular stores of the Spanish chain Desigual, which so far had only 3 outlet stores in the Factory outlet centres. A significant debut was made by the Turkish interior design retailer – English Home,

which opened a few stores in Poland in 2014. The offer of fitness clubs was also expanded – British chain CityFit and German McFIT opened their first facilities (the former ones are open 24/7). Samsung and Saturn opened their first joint point, while Lee and Wrangler decided to open their independent stores. In 2014 several brands already operating in Poland introduced their new concepts on the market: Adidas NEO, Calvin Klein Jeans, Calvin Klein Watches & Jewelry or a coffee shop M&S Coffee To Go.

Pop-up shops, which serve as pilot stores for popular brands, are becoming more and more common. An excellent example of the phenomenon is Clinique which after a several-week operation of a pop-up store in Złote Tarasy in 2013, in 2014 opened there its regular store. Temporary sales spaces may also be used for marketing purposes by young designers (e.g. in 2014 Aloha From Deer opened in Stary Browar or Rush in Manufaktura).

When analyzing the structure of brands making their debut on the market in the course of the previous year, one should note that the largest group is composed of American (31%), Italian (22%) and French (14%) retailers. The new openings included mainly fashion (41%) and health and beauty (19%) brands. Warsaw remained the most popular destination among international retailers – nearly 60% of the debuts took place there. The shopping centres which proved the most popular among new brands were Arkadia, Dom Mody Klif, and Złote Tarasy.

At the time of growing popularity of the e-commerce sector, there are more and more retailers who rely on multichannel retailing (the so-called omni-channel). The already mentioned Avon sells its products through three channels – directly, via online store and since 2014 in its physical store. Another example is the online store of Sephora (opened at the beginning of the previous year) or the online drugstore of Rossmann which initiated its operation in the pilot version in 2014 offering the possibility to take a virtual walk around the store.

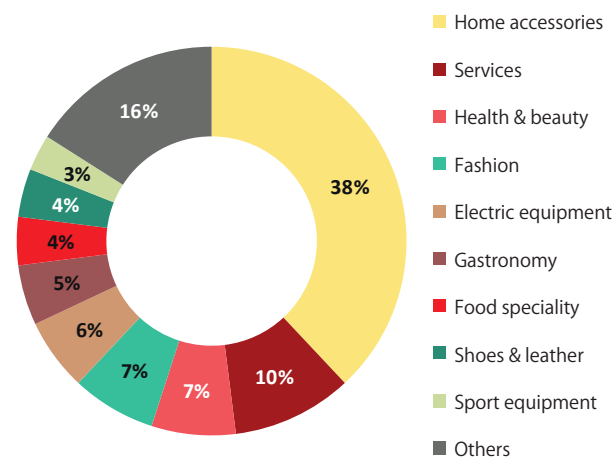
Table 4. Selected new brands in Poland in 2014

Brand	Category	Country of origin	First location
Avon Studio	Health and beauty	United States	Złote Tarasy, Warszawa
Kiehl's	Health and beauty	United States	Arkadia, Warszawa
Clinique	Health and beauty	United States	Złote Tarasy, Warszawa
Kiko Milano	Health and beauty	Italy	Arkadia, Warszawa
Kipling	Leather & Bags	Belgium	Arkadia, Warszawa
Desigual	Fashion	Spain	Arkadia, Warszawa
Devred 1902	Fashion	France	Wola Park, Warszawa
Nuna Lie	Fashion	Italy	Europa Centralna, Gliwice
Sinequanone	Fashion	France	Galeria Warmińska, Olsztyn
Adidas NEO	Fashion	Germany	Arkadia, Warszawa
Imaginarium	Children&maternity	Spain	Arkadia, Warszawa

Source: PRCH Retail Research Forum, 2nd half of 2014

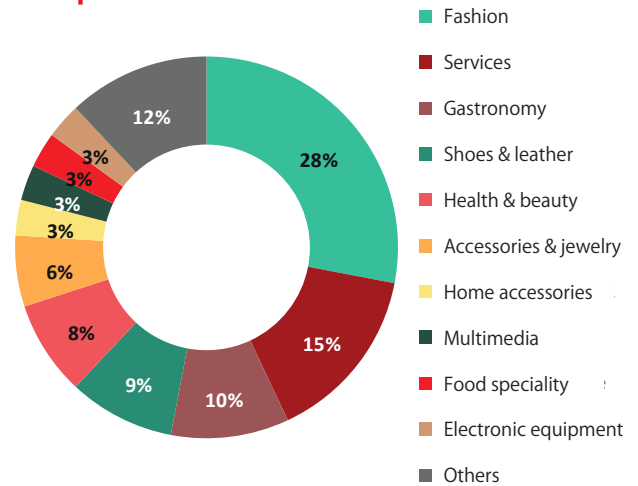
In 2014 the most rapid development was recorded in the food and health and beauty sectors. The number and availability of fitness clubs, which are now present also in retail parks, also grew. In the case of conventional facilities an interesting phenomenon is the initiation of new forms of co-operation in space development, such as coworking offices (Galeria Katowicka, Galeria Bronowice in Kraków), museum branch (Galeria Bronowice), or a library (Manhattan in Gdańsk). Outlet centres also expand their offer by opening playgrounds for children and stores which do not have outlet offer, such as Rossmann, drugstores and service outlets.

Fig. 19. The structure of tenants in inspected retail parks according to the number of shops



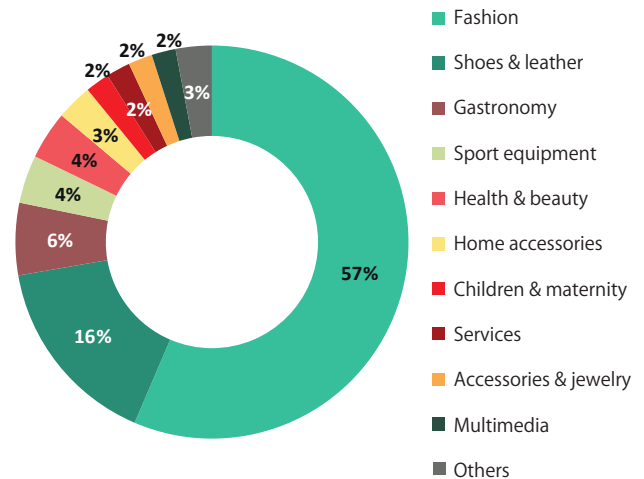
Source: PRCH Retail Research Forum, 2nd half of 2014

Fig. 18. The structure of tenants in inspected shopping centres according to the number of shops



Source: PRCH Retail Research Forum, 2nd half of 2014

Fig. 20. The structure of tenants in inspected outlet centres according to the number of shops



Source: PRCH Retail Research Forum, 2nd half of 2014

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6 Retail area supply and purchasing power of the urban population



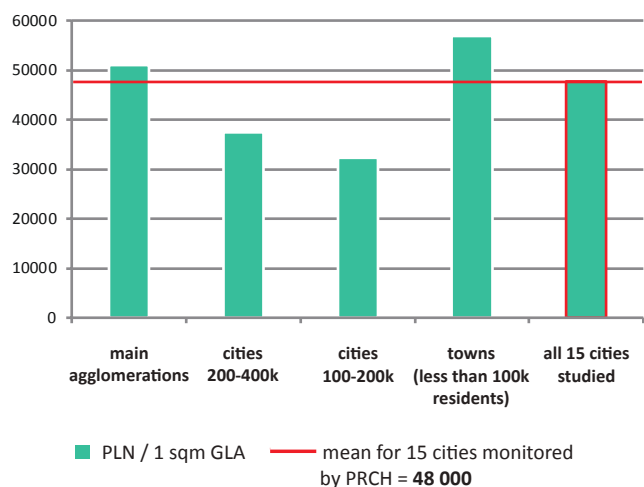
Agnieszka Kowalewska
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The overall purchasing power (GfK Purchasing Power) reflects the level of total net income of residents of a given area. The lower the purchasing power per 1 sqm GLA, the greater the competition between the shopping centres to win the money of the consumers in a given area. The greater the purchasing power per GLA, the more affluent and

less saturated is the market. On average almost PLN 48,000 annually has occurred per 1 sqm of shopping centres area in cities within the developers' scope of interest in Poland in 2014. In large cities this indicator has slightly dropped, compared to the 1st half of 2014, due to an increase in retail space saturation.

The ratio of the purchasing power to shopping centre's GLA is an analytical tool that indicates potential for development, i.e. an increase of the supply of GLA in relation to the economic strength. At the beginning, it is worth noting that the synthetic indicator of GfK Purchasing Power and the saturation of the competition is only a starting point for further analysis, and in no case is it a recommendation to start the investment project. Neither the high saturation of retail space, nor weaker socio-economic conditions should outweigh the recognition of the city as unattractive for new investments. Similarly, the low level of competition does not mean that each new investment will automatically succeed. It is only a detailed study of the potential of a specific location in the broader context of its regional environment - including the preferences of residents of the catchment area and the profile of the competition that leads to an objective assessment of the investment potential. The overall purchasing power is not a budget to be spent in shopping centres only, neither in retail sto-

Fig. 21. GfK General Purchasing Power (net yearly income in PLN) per 1 sqm of GLA (in stock and under construction) in cities of various population size



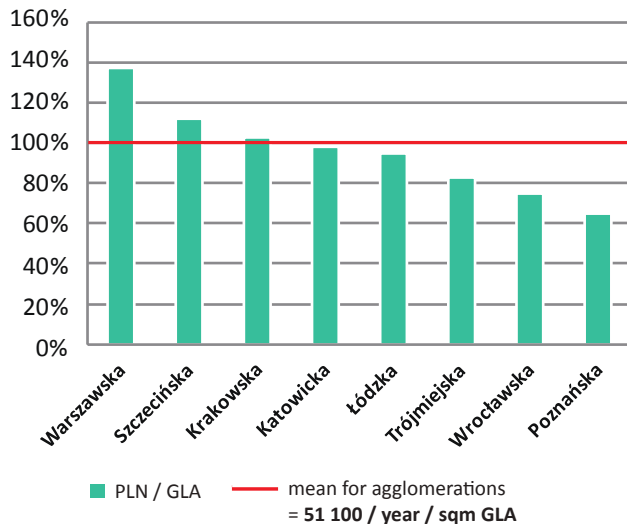
Source: PRCH Retail Research Forum, 2nd half of 2014

res in general, therefore it cannot be the basis for estimating e.g. the potential of space productivity of retail space available. However, it allows for objective assessment and comparison of the level of affluence of people living in various areas, e.g. cities.

The analysis of GfK Purchasing Power (in PLN) per 1 sqm GLA of shopping centers open and under construction shows that the highest level of saturation of retail space in relation to the purchasing power is present in medium and large cities – a population of 100-200 and 200-400 thousands: PLN 32,400 and PLN 37,400 respectively.

Among large cities (with a population of 200 to 400 thousand), Radom shows the largest potential for growth of GLA supply whereas Lublin is the closest to the point of saturation. The supply of GLA in Lublin has significantly increased after the opening of Atrium Felicity in spring 2014.

Fig. 22. Variance in GfK General Purchasing Power in 2014 per 1 sqm of GLA in 8 main agglomerations



Source: PRCH Retail Research Forum, 2nd half of 2014

The group of medium-sized cities, inhabited by 100-200 thousand people is very diverse. There are highly saturated cities such as Rzeszów and Opole, but there are also ones as Elbląg and Rybnik, where the budget per every average square meter of retail space is three times higher than in case of Rzeszów.

The largest agglomerations are generally characterized by high purchasing potential. This is also a diversified group: e.g. the purchasing power per 1 meter of GLA in the least saturated Warsaw Agglomeration is more than two times higher than in the Poznań Agglomeration. Very high saturation of retail space is also noticeable in Wrocław and Tri-City. The agglomerations of Łódź and Krakow as well as Katowice Conurbation have a balanced supply of retail space in relation to the budgets of their inhabitants.

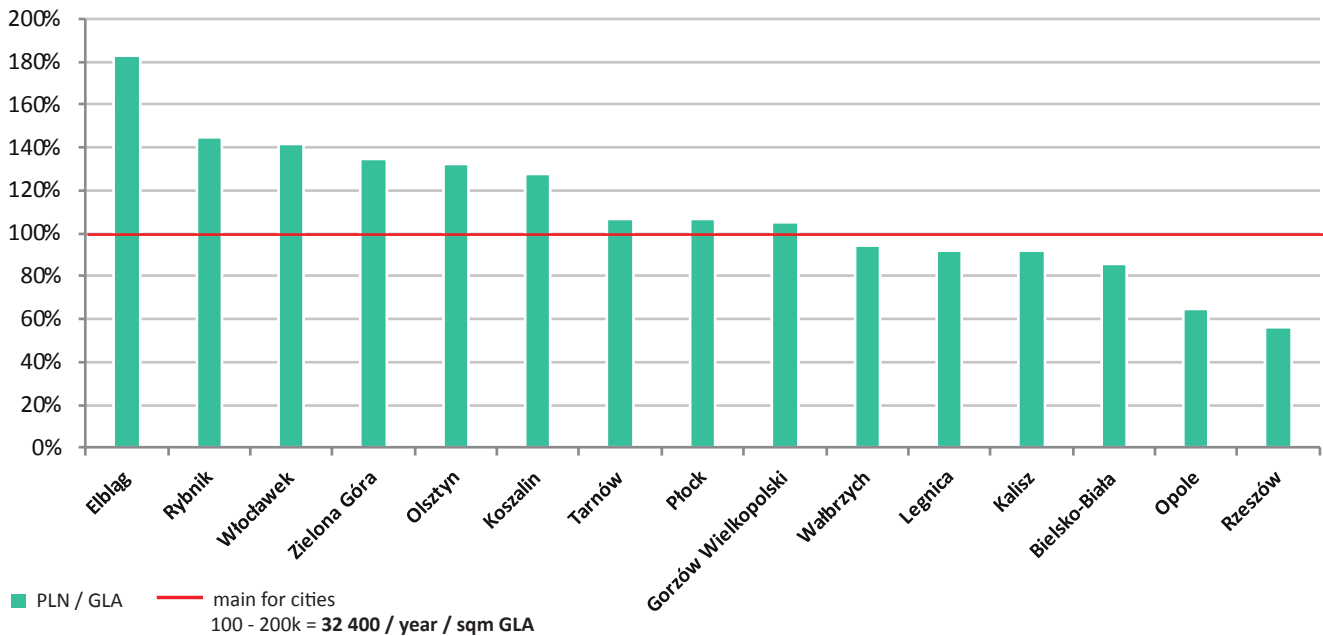
Fig. 23. Variance in GfK General Purchasing Power in 2014 per 1 sqm of GLA in cities 200-400k population



Source: PRCH Retail Research Forum, 2nd half of 2014

The cities with a population of up to 100 thousand, where the average value of purchasing power per 1 sqm GLA amounts to almost PLN 57,000, have the greatest potential to develop new retail space. However, due to the fact that it is a very numerous and differentiated group of cities – both in terms of population, supply of retail space, and purchasing power – one should go for in-depth analysis of each potential location. Chełm, Żyrardów and Szczecinek are interesting examples of high potential of purchasing power in relation to the retail space in this group.

Fig. 24. Variance in GfK General Purchasing Power in 2014 per 1 sqm of GLA in cities 200-400k population



Source: PRCH Retail Research Forum, 2nd half of 2014

7

Investment transactions in the shopping center market in Poland



Małgorzata Gajuk
PRCH Research Representative
ICSC European Research Group

In 2014 investment transactions in the retail sector reached overall ca. € 567 million. The second half of the year was weaker with transaction volume of ca. € 200 million invested in the retail properties. Three major transactions on the shopping center market were concluded in the second half of the year: acquisition of Focus Mall in

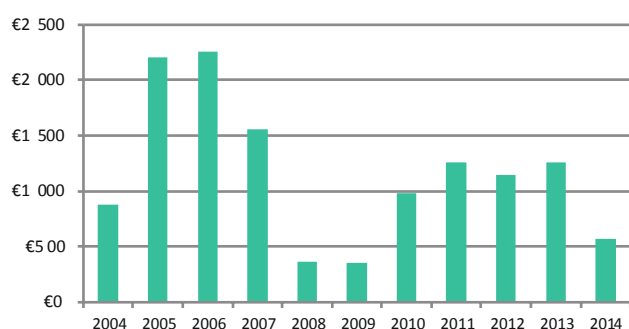
Bydgoszcz by Atrium European Real Estate and acquisition of Galeria Piła by Immofinanz Immobilien and acquisition of Plac Unii City Shopping in Warsaw by Invesco Real Estate.

Poland continues to attract most of the capital flow into the CEE region (45% of 2014 total volume invested) due to its stable economic fundamentals, accounting liquidity, provision of investment products as well as availability of debt financing. The total transaction volume in Poland in 2014 reached over €3.15 billion, out of which ca. 57% has been invested in the office sector, 23% in the industrial properties, 18% in the retail sector and ca. 2% was allocated in the mix-use and hotel properties. The investment transactions in the retail sector amounted to ca. €567 million over 2014, while the second half generated ca. €200 million, which contributed to ca. 12% share in the total volume of €1.7 billion invested in the Polish commercial properties over the second half of 2014.

The most significant transaction on the shopping center market completed over the second half of 2014 was the acquisition of Focus Mall in Bydgoszcz (42,000 sqm of GLA) by Atrium European Real Estate for ca. €122 million.

The second significant transaction was the acquisition of Galeria Piła (ca. 24,000 sqm of GLA) by Immofinanz Immobilien for ca. €45 million.

Fig. 25. Investment volumes in retail sector in Poland (in millions Euro)

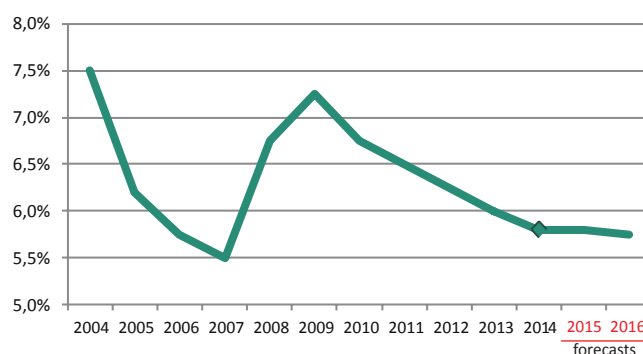


Source: PRCH Retail Research Forum, 2nd half of 2014

In Warsaw at the end of 2014 Plac Unii City Shopping has changed the ownership – the investment fund Invesco Real Estate has acquired the whole Plac Unii scheme comprising offices of 41,300 sqm of GLA and the shopping center of 15,500 sqm of GLA for a total purchase price of €226 million.

Yields for prime shopping centers in Poland have compressed to the level of 5.75%.

Fig. 26. Prime retail yields 2000–2014



Source: PRCH Retail Research Forum, 2nd half of 2014

Table 5. Major investment transactions in the shopping centres sector in 2nd half of 2014

shopping centre	GLA	town	price	SHOPPING CENTRE	GLA
Focus Mall	42 000	Bydgoszcz	122	Atrium European Real Estate	Aviva
Galeria Piła (Vivo!)	24 000	Piła	45	Immofinanz Immobilien	Rank Progress
Plac Unii City Shopping	15 500	Warszawa	226 (total scheme)	Invesco Real Estate	Liebrecht&Wood/ BBI Development

Source: PRCH Retail Research Forum, March 2015

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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: CBRE, Colliers International, Cushman & Wakefield, DTZ, GfK Polonia, Jones Lang LaSalle in cooperation with and under 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
- regular 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:

Shopping centre (esp. Conventional or Traditional SC) – a retail property planned, constructed and managed as a single retail entity which consists of a shared retail area of a minimum gross leasable space (GLA) of 5,000 sqm and at least 10 shops.

Retail park – a property with a consistent design, construction and management which consists mainly of medium and large-sized specialized retail facilities, which typically share an open-air passage or a parking lot and are not joint under one roof.

Outlet centre – a property with a consistent design, construction and management with separate shops in which the producers or retailers sell surplus stock, end-of-line products and products from previous collections at reduced prices.

Vacant retail space and leasing structure inspection

In December 2014 and January 2015 under coordination by 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 237 shopping centres whose total GLA is 6.93 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 17,230 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.

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8 About PRCH Retail Research Forum

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

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

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

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

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

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

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

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

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

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

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