Colliers
INTERNATIONAL

REPORT

IS THE CHANGE COMING?

A NEW DIMENSION OF ENTERTAINMENT AND LEISURE IN SHOPPING CENTRES

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CONTENTS

INTRODUCTION

For the past twenty years, shopping centres have permanently become a part of Polish people's lives, the way they shop, work and spend their free time. What could they offer to consumers, who want to spend time with their family, meet friends or have fun? Does the leisure and entertainment offer of Polish shopping centres meet customers' expectations?

In cooperation with IQS, Colliers International analysed the customs of Poles in terms of how they spend their free time across several forms of entertainment and leisure. The study was conducted in August this year on a sample of 1,000 people participating in the IQS OPINIE.PL web panel. Based on collected opinions and our own professional experience, we tried to identify the role played by entertainment and leisure in Polish shopping centres.

The entertainment and leisure offer currently available in centres was described by Colliers International experts in the report. Approximately 270 schemes in the eighteen largest cities in Poland (including those that have been extended and modernised in recent years) were analysed. In addition, inspirations from foreign shopping centres are presented.

Thanks to amenity of our interlocutors, you will also find in the report statements from market practitioners – advisors, property managers and tenants, on various aspects of introducing new entertainment and leisure concepts in shopping centres.

We encourage you to read our latest report!

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Leisure – one of the pillars of a modern shopping centre.

The fact that leisure is becoming an increasingly important part of commercial real estate is a matter of fact. On the one hand, a wealthier society is looking for interesting opportunities to spend time outside of home: with family, friends, and even alone. On the other hand, commercial real estate investors are looking for solutions that will withstand on-line competition. Leisure fully meets both these conditions, even better than gastronomy. Apsys, was one of the first companies in the industry, invested in entertainment shopping centres in Poland in late 1990s. An example is Korona in Wrocław, a big part of which was a multiplex cinema, a bowling centre with a music club and a big kidsplay for children. When we realise, that the Manufaktura project with its entire leisure complex was also built in the late 1990s, it will be clear that the managers of Apsys were aware of trends that were coming to retail industry.

A well-developed leisure section in a shopping centre is a great added value, because it is a magnet for customers from distant parts of a city or region. This is why shopping centres that have a well-developed leisure section, function well during the weekend and holidays. The best example is Manufaktura, where holiday months are among the most successful in both footfall and turnover.

The only disadvantage of a leisure section of shopping centre is that it requires a lot of space, where rents are relatively lower than in commercial or gastronomy areas. Nevertheless, we are convinced that the balance is definitely in favour of having a well-developed leisure section, that has space suitable for this purpose.

Paweł Ciszek
CEO Just GYM
www.facebook.com/JustGYMPL

Entertainment, leisure and trade – business symbiosis.

Experience in managing a fitness club shows that most active customers are also potential customers of shopping centres. Fitness culture is becoming more and more developed and popular, especially among the younger generation, which is becoming a target group with the biggest potential.

Fitness is not just working out, it is now a lifestyle. It involves choosing the right shoes, clothes, adjusting your diet, using the latest technology, buying the right nutrients and vitamins or eating healthy food bought in a shopping centre, then finally it is about relaxing in a cinema – and all this thanks to the complementary offer gathered in one place, saving customers a lot of time. A well-managed, low-cost fitness club is capable of accommodating over 1,200 visitors daily, which adds value to the entire property and translates back to other tenants.

Fitness clubs and other tenants have a common goal and by offering different products and services they operate in a business symbiosis.

HOW DO POLES LIKE TO HAVE FUN?

Are Poles an ”entertainment nation”? We checked this in our latest survey of 1,000 Polish adults. Those who participated are residents of the largest agglomerations: Gdańsk, Katowice, Łódź, Poznań, Szczecin, Warsaw, Wrocław and their satellite towns.

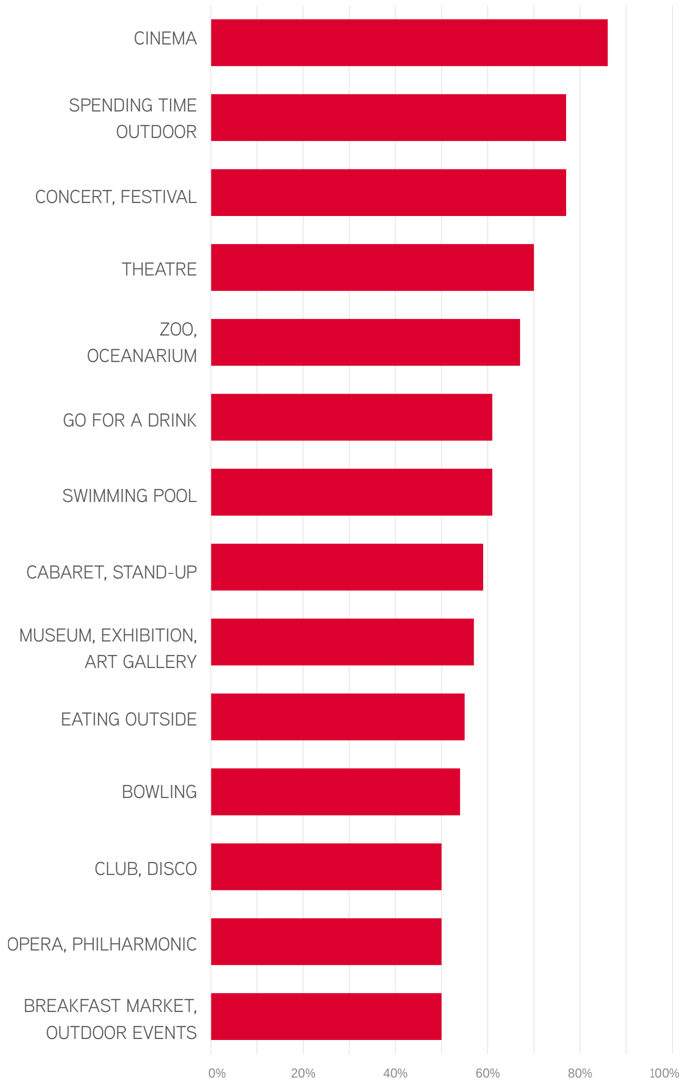
Interviews were conducted using CAWI (Computer Assisted Website Interviews). All the participants are members of the IQS OPINIE.PL web panel. How do Poles perceive leisure and entertainment and how do they use it? In what places? What is the role of shopping centres? What can be improved or changed to make the offer fully meet the needs and expectations of Polish customers?

”People do not know what they want until you show them.”
- Steve Jobs

For respondents, the emotional synonyms of leisure and entertainment are: joy, relaxation and getting away from daily duties. As far as forms of leisure, that are considered as entertainment and leisure, the first place is not surprising – the synonym of entertainment for almost 90% of Poles is going to the cinema. However, other places show interesting trends in Polish urban communities. The second most common answer is spending time outdoor: walks, lakes, beaches, and in third place concerts and festivals. Just outside the top three was the theatre and in fifth place were zoos and oceanariums.

Source: theleisureway, Mini City, Russia

WHICH OF THE FOLLOWING PLACES/FORMS OF LEISURE DO YOU CONSIDER AS ENTERTAINMENT?



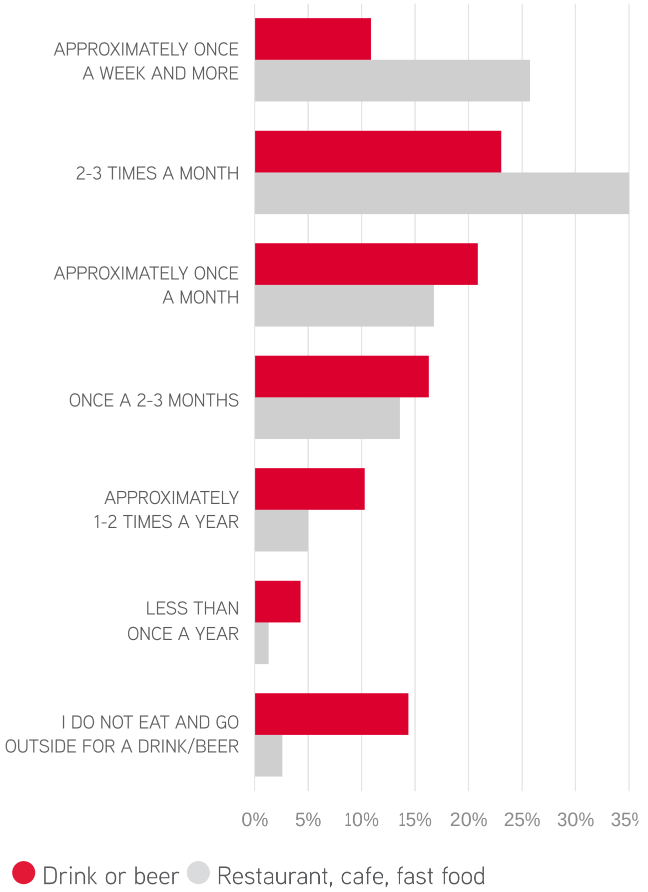
Source: IQS

The use of various forms of leisure and entertainment looks, according to respondents' answers, slightly different than its perception. Cinema, considered the most "classic" form of entertainment, ranks third in popularity – 70% of respondents declare that they have been to a cinema in the last three months. Over 90% of respondents, during this time, spent time outside, but not all of them consider it a form of leisure and entertainment. However, over 90% declare that, during this time, they ate in a restaurant, even though only 55% perceive it as entertainment and leisure.

The current trend of eating out as a form of entertainment and leisure is also reflected in our survey. As many as 35% of respondents go to restaurants, cafes and fast food places 2-3 times a month and 23% go for a drink or a beer.

In our survey, we asked about seasonal differences in entertainment or leisure. For obvious reasons, over 60% of respondents said that during the spring-summer season they spend more time outside, while only 40% more spend their time actively in the warm season than in autumn and winter. This indicates the openness of Poles to different forms of leisure and entertainment, regardless of the time of the year.

HOW OFTEN DO YOU EAT OR GO OUTSIDE FOR A DRINK/BEER?



Source: IQS

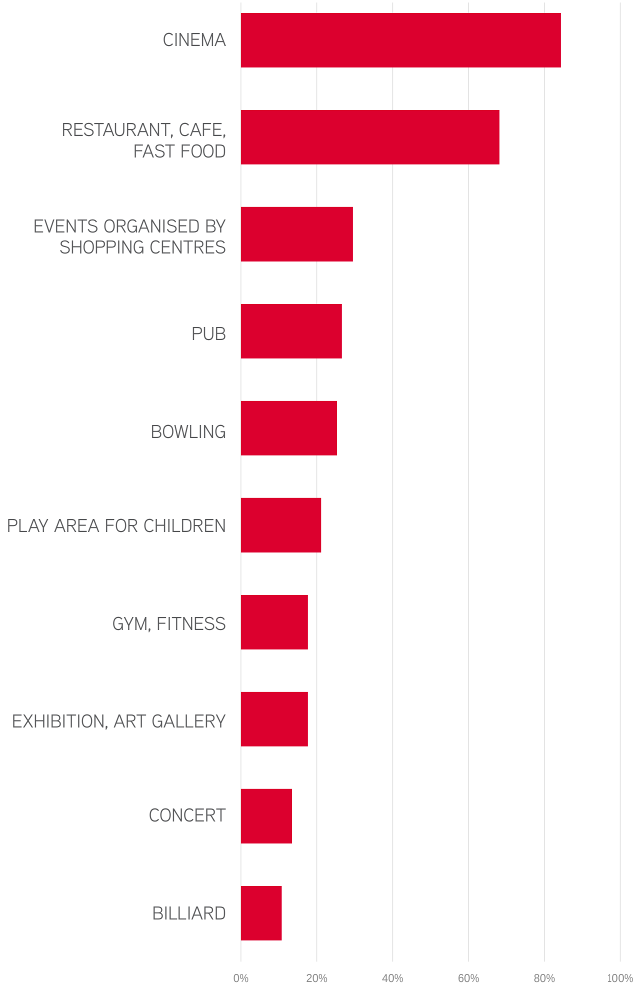
Source: theleisureway, Mini City, Russia

Almost all survey participants visit shopping centres, but only 7% of them regularly use leisure and entertainment services (less than 50% from time to time). The entertainment and leisure offer in shopping centres is more popular among people with children. Why is entertainment and leisure in shopping centres not used more often? Respondents' answers are unambiguous: the lack of interesting options, which makes shopping centres in Poland only a place for shopping (70% of responses).

> *"A shopping centre is not associated with entertainment, but with shopping, as the name implies. If this place wants to change its character, it should change the name and the offer."*

Source: theleisureway, Gran Turia, Spain

WHAT TYPE OF ENTERTAINMENT DO YOU CHOOSE IN SHOPPING CENTRES?



Source: IQS

However, people who use entertainment and leisure in shopping centres underline the fact that the main attraction is the cinema and, surprisingly, restaurants/cafés/fast food units. A significant group of respondents attend various events organised by shopping centres.

Poles are attracted to shopping centres and use their entertainment and leisure offer because of convenient access (68%), the attractiveness of the offer (40%) and the knowledge of the mall (31%). The largest group using this type of offer in shopping centres are families – as many as 70% of respondents confirmed that they take advantage of the entertainment and leisure offer with family members.

The majority of respondents (over 60%) said that they use the leisure and entertainment offer in shopping centres on the weekends, but nearly 40% visit shopping centres and use the offer during the week.

The survey results highlight the key issues for shopping centres in the development of entertainment and leisure. Firstly, education – building the image of a shopping centre as a place where people can spend their free time. Secondly, reorganisation, in spring-summer season Poles spend time outside.

“It would be much more attractive if shopping centres were set up with green spaces for gardens, play areas for children, rope courses and the like.”

Source: Blue City, Warsaw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tools
that we
create at IQS

Yoram Reshef
Managing Director
Blue City, Warsaw
www.bluecity.pl

Thanks to leisure our problems have changed into success.

Today, Blue City offers many unique leisure concepts. The reasons for which can be found in the past – the first owner decided to build a huge and very tall building – a total of seven floors. On the upper floors it was hard to place regular clothing or footwear stores, so we were forced to look for other solutions that would bring in not only money from rents, but also customers. Therefore, actually as a matter of necessity, we brought to Blue City leisure and concepts, that are usually not available in other shopping centres, because of the lack of space. Thanks to this, we are ahead of our times and now that it has become trendy, we have more leisure solutions than anyone else.

We can say that thanks to the past we are now the most family friendly shopping centre in the city. We organise each month over 150 birthday parties, we have minigolf, squash courts and a football school. A big dance school attended by 2,000 children is one of our tenants. They come here twice a week with their mum, dad or grandmother, who go shopping during the class. There is a track for remote controlled cars. We will open a cinema soon. We organise dozens of special events each year, for example the LEGO Festival in September this year. We have various ideas and we look especially for ones that will bring visitors – it is a battle for the customer.

The leisure offer does not generate much money in terms of rents – it is obvious that a leisure tenant is not able to pay the rent that shops can afford. But we see the importance of leisure as complementary to the centre's offer and traffic generation. This makes it easier for us to rent out retail space – a potential tenant sees that the centre is full of life and that it is a popular place to meet and do business. It is our duty to bring as many people to the centre as possible, whether or not they visit a tenant's shop is up to them.

Introducing leisure concepts requires a flexible approach and brave decisions. It is easier for privately owned shopping centres, such as Blue City, to make these decisions rather for corporations – the decision process is faster and easier. However, the effects can be seen quite quickly and we can see an increased number of visitors and length of visits, especially in the family sector.

The most important thing is to read and observe the market – there is no great philosophy behind this.

KEY WORD – EXPERIENCING

In today's world, our spare time is increasingly valuable. We use it in different ways – actively or passively, by ourselves or hanging out with people, using many different forms of entertainment or just using our own imagination. Among thousands of available leisure offers we tend to choose the one that lets us experience something unusual and unattainable in daily life.

In the case of shopping centres, "experiencing" could become the cure for e-commerce anonymity, extreme individuality, being lost in technology and the weakening of communication skills. Shopping centres have the opportunity to become the "third place" (apart from home and work), which means a place to rest, spend time, observe and meet people, but which also to be inspired. A place that "lives", represents authentic values meaningful for the community, a space that by providing experiences, strengthens the feeling of affiliation in people's minds.

5 TOP FACTS ABOUT THE ENTERTAINMENT AND LEISURE SECTOR IN 18 CITIES (EXAMPLES)

Name	Type	Location
KOLEJKOWO	the biggest railway model in Poland	Europa Centralna Gliwice
CZYTELNIA	reading room, 500 books	Galeria Bronowice Kraków
STREFA CHILLOUT	green chillout zone	Aleja Bielany Bielany Wrocławskie
KLOCKOWNIA	educational play with blocks	Galeria Renova Warsaw
W DECHE, EKO-PARK	outdoor play park	Gemini Park Bielsko-Biała

Source: Colliers International

This is possible due to the creation of innovative and interactive public spaces, enlarging leisure and food court areas and introducing unusual artistic, educational or social features. Interestingly, gastronomy may become an attractive amusement, but only if it meets consumers changing ways of living apart from the standard restaurants, bars and coffee shops, and offers areas for various events and concerts.

Such shopping centres understand leisure and entertainment as the way of encouraging consumers to pay longer and more pleasurable visits on a daily basis. Innovative leisure and entertainment concepts cannot always be converted into new deals, growth in revenue and income from lease agreements. Happy customers, however, translate into postive shopping attitudes, enlarged frequency and longer visits in shopping centres, as well as more purchasing and an emotional relationship with scheme and specific stores. As a result, the performance of a shopping centre grow when leisure and entertainment becomes a real "added value" of an investment.

Do you know that the first Minigolf VR Time Machine in Poland is in Blue City shopping centre in Warsaw?

Source: theleisureway, Faro, Portugal

Marta Półtorak
Managing President
Develop Investment Sp. z o.o.
www.milleniumhall.pl

Another dimension of shopping.

The cultural and commercial centre Millenium Hall from the very beginning became a favourite place for people in Podkarpacie, a unique place in the region offering interesting leisure activities individually or with the family. Thanks to the Hilton Garden Inn hotel that operates in the complex, numerous foreign and Polish customers can take advantage of our services. In addition to standard features such as a multiplex cinema, fitness club, kidsplay and food court, we implemented other functions as: an event square, music club, art galleries, SIEMACHA (an activity area for young people), educational institutions that support the development of music and sport talents and other features that are still emerging. All of this allows visitors to choose and take advantage of multiple opportunities in one place. When competing with the Internet, it is very important that shopping has some other dimension, which is why implementing a variety of attractions and an interesting cultural, leisure and gastronomy offer is a magnet for customers.

The interest is very large, and thus gives an opportunity to interpenetrate particular functions and combine them with a rich commercial offer, which is the commercial core of the whole facility. A modern shopping centre is not only a place for shopping, but also a place where we spend our free time and where we commune with culture at the highest level. In Millenium Hall, the activities that we conduct consistently on various levels have created a unique place for the most demanding people.

Tomasz Jagiełło
Managing President
Helios SA
www.helios.pl

Cinema - entertainment for thousand people a day.

Since shopping malls started to be constructed many years ago, the cinema has always played the leading role within the broadly understood entertainment function of the malls. None of the other leisure spaces – bowling, climbing wall or play areas for children – has such a tangible effect on people as the cinema, which can attract and ensure entertainment to thousands of people every day.

The role of the shopping center, as a leisure organizer, is growing even further as the structure of the gallery fosters the creation of spaces for interesting leisure activities. For obvious reasons the synergy between the cinema and a closed, clothes-selling mall will be a lot smaller than in the case of a mall investing in creating common open spaces integrating its customers. It is exactly this kind of spaces, present in the best malls, that serves the role of the ancient agora as the main square or market around which the life of the city used to revolve. Common promotional actions of the tenants and their cooperation turn out to be not enough, if the owner or manager of the shopping mall does not meet the requirements of the contemporary consumer, who searches for comfortable leisure zones.

According to our analyses and many years of experience, a cinema of the proper scale, i.e. which floor space represents approximately 10% of the mall's total floor space, generates an annual footfall of not less than 5% of the annual footfall of the mall, which allows the owner or manager of the mall to treat the cinema viewers as their extra customers.

HOW TO HAVE A GOOD TIME IN A SHOPPING CENTRE?

For the purpose of this report, Colliers International experts analysed over 270 shopping centres in eighteen biggest cities in Poland in terms of their leisure and entertainment offer. The study showed that the largest retail offer is present in Warsaw, the Katowice conurbation, Tricity and Poznań.

Interestingly, among medium-sized cities, some interesting leisure-entertainment concepts can be found in shopping centres in Rzeszów and Lublin. Apart from permanent concepts, leisure and entertainment is being introduced in Polish shopping centres as a seasonal attraction: markets, festivals, concerts, and other events.

Do you know that there are libraries in four shopping centres in Poland, theatres and museums in three?

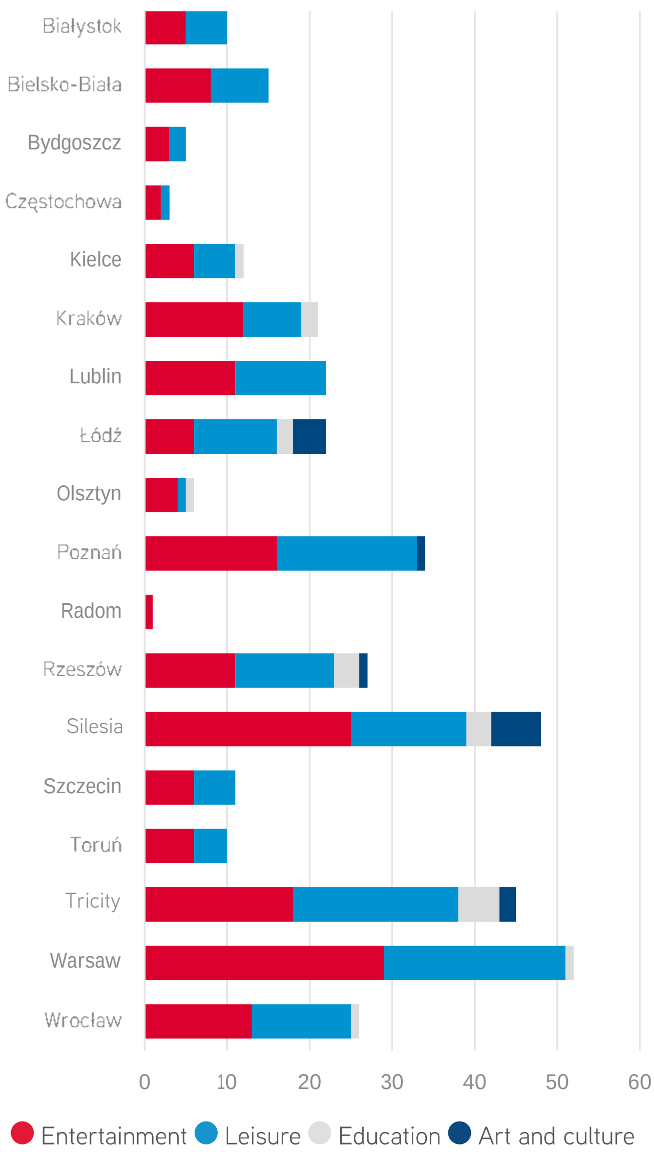
The centres decisively leading the way in terms of the amount and quality of their leisure offer are Manufaktura in Łódź and Blue City in Warsaw. Millenium Hall and Galeria Nowy Świat in Rzeszów, Galeria Olimp in Lublin and Galeria Sfera in Bielsko-Biała are the centres in smaller markets with the most interesting ways of spending free time.

5 NEW ENTERTAINMENT AND LEISURE OPTIONS IN SHOPPING CENTRES IN 18 CITIES (EXAMPLES)

Type	Name	Location
DANCE STUDIO	Egurolla Dance Studio, Studio Iskra, Cubana	Blue City Warsaw, Millennium Hall Rzeszów, Sfera Bielsko-Biała
TRAMPOLINE PARK	Jump World, Jump City, Energi Super Park	M1 Zabrze, Port Rumia, Galeria Pestka Poznań
EDUCATIONAL CENTRE	Eksperymentarium, Fastrackids	Manufaktura Łódź, Sky Tower Wrocław
SCHOOL	Alliance Francaise, PROFI - LINGUA	Manufaktura Łódź, Agora Bytom
VR	Time Machine Minigolf	Blue City Warsaw

Source: Colliers International

ENTERTAINMENT AND LEISURE CONCEPTS IN SHOPPING CENTRES IN 18 MAIN CITIES IN POLAND

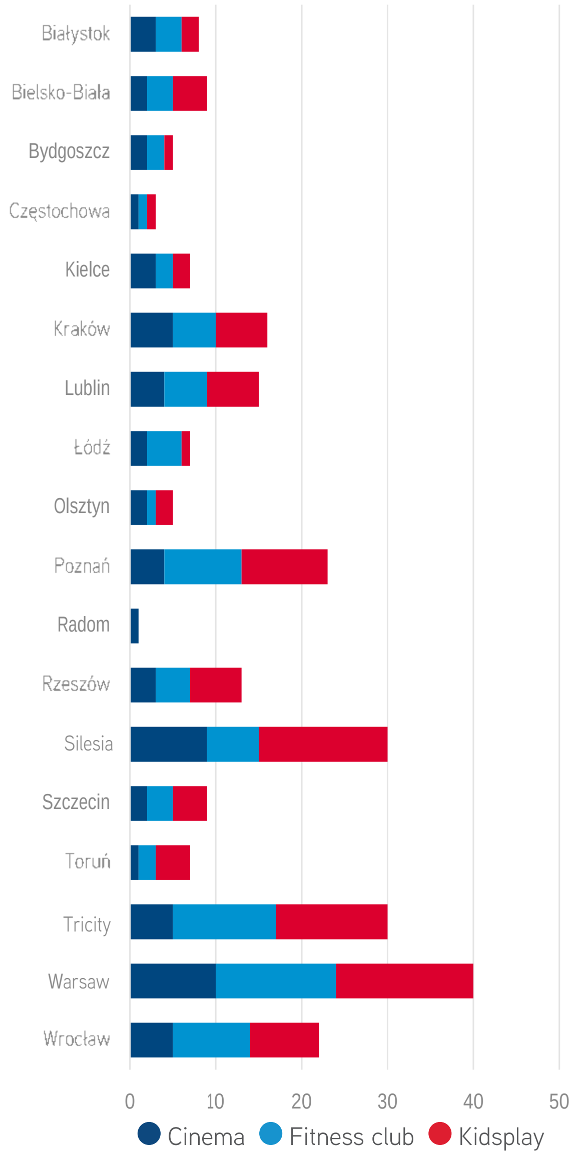


Source: Colliers International

However, it is important to point out that the leisure and entertainment offer of most shopping centres in Poland (even the largest ones) is limited to a cinema, a fitness club and a kidsplay. The report shows that creating an interesting leisure offer is not related to the size of a shopping centre – the analysis showed that it is present in 20,000 m^2 as well as in 130,000 m^2 projects.

The largest number of cinemas in shopping centres are in Warsaw and the Katowice conurbation, what does not mean the cinema offer is enough in this cities. The market is dominated by Cinema City, Helios and Multikino. The highest number of fitness clubs are located within schemes in Warsaw and Tricity. There are a dozen or so fitness chains operating on the market, among which Jatomi Fitness is the largest. On the other hand, the highest proportion of kidsplays are located within Warsaw, the Katowice conurbation and Tricity.

CINEMAS, FITNESS CLUBS AND KIDSPLAYS IN SHOPPING CENTRES IN 18 MAIN CITIES IN POLAND



Source: Colliers International

Kidsplays are run by international operators as well as local chains and entrepreneurs. Kinderplaneta holds the dominant position in shopping centres in terms of the number of units. Occasionally, bowling centres and music clubs appear in shopping centres. Dance schools, with Egurolla Dance Studio and Studio Iskra leading the way, and trampoline parks (for example Jump City) are new concepts in the market.

TOP 5 ENTERTAINMENT AND LEISURE TENANTS IN SHOPPING CENTRES IN 18 CITIES

Type	Name	Number of units
FITNESS CLUB	Jatomi Fitness	25
CINEMA	Cinema City	23
CINEMA	Helios	18
CINEMA	Multikino	16
KIDSPLAY	Kinderplaneta	16

Source: Colliers International

Cultural and art institutions are a rarity in shopping centres. However, a few schemes boast theatres, museums and exhibition areas. Manufaktura (Teatr Mały, the Factory Museum, Ms2, the Łódz City Museum), Galeria Katowicka (Wyższy Poziom project, a stage of Teatr Śląski) and Stary Browar (Art. Station Foundation) are the most interesting examples.

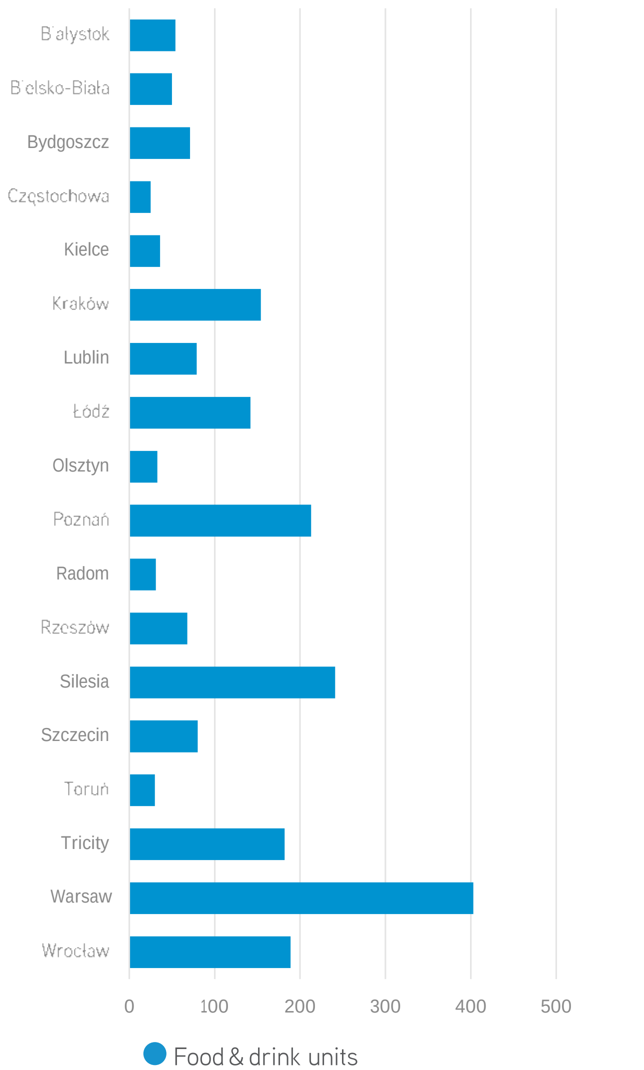
Do you know that cinema goers in Poland account for approximately 5% of all visitors to shopping centres?

Introducing educational facilities to a shopping centre is an interesting initiative. Educational centres as well as community day care centres can be found in Millenium Hall in Rzeszów (Siemacha association), Sky Tower in Wrocław (FasTracKids) and Manufaktura in Łódź (Experymentarium). Also libraries (for example Biblioforum in Forum Gliwice) and reading rooms (Galeria Bronowice in Kraków) as well as language schools (Alliance Francaise in Manufaktura in Łódź), art schools (Gdańska Szkoła Artystyczna in Manhattan) and music schools (Yamacha in Galeria Nowy Świat in Rzeszów) are being opened in some shopping schemes.

Poles are eating out more often and going out with family or friends to coffee shops, restaurants and pubs is considered attractive entertainment. Shopping centres, especially those with a large offer and unusual areas, are becoming places where people like to eat.

Nearly 2,100 food & drink units operate in shopping centres in the eighteen main cities in Poland. Over half of them are bars located in food courts (gastronomical zones) and approximately 45% are restaurants and coffee shops operating as independent tenants in shopping centre passages. The highest number of food & drink units in shopping centres operate in the Warsaw agglomeration (approximately 400), the Katowice conurbation (approximately 240) and Poznań (approximately 210) and the fewest operate in Częstochowa (approximately 25), Toruń (approximately 30) and Radom (approximately 30).

FOOD & DRINK UNITS IN SHOPPING CENTRES IN 18 MAIN CITIES IN POLAND



Source: Colliers International

Source: Blue City, Warsaw

Manufaktura in Łódź, Posnania and Złote Tarasy in Warsaw have the most food & drink units, as well as in Avenida and Stary Browar in Poznań and Magnolia in Wrocław.

RENT FOR ENTERTAINMENT AND LEISURE SPACES IN SHOPPING CENTRES (EUR/M²/MONTH)*

CITY	cinema	fitness club	kidsplay
WARSAW	9-12	9-15	7-13
7 REGIONAL CITIES	8-10	8-11	5-11
399,000 - 200,000 INHABITANTS	7-9	7-9	5-7
199,000 - 100,000 INHABITANTS	5-7	5-8	4-7

Source: Colliers International

**Rental terms are very different. Rates usually include service charge cost (or there is a cap on service charge). Often, there is no marketing charge. In terms of a cinema, sometimes a step rent and a turnover rent are used (if established ticket target is reached). A fit-out is offered, and in some cases it is particularly refunded by higher month rent.*

The largest gastronomy chains in terms of their presence in shopping centres are coffee shops/ice-cream parlors and fast food restaurants. Costa Coffee and Grycan dominate the coffee shop/ice-cream parlour market, while McDonald's, KFC and Pizza Hut dominate among restaurants. Frequently in shopping centres we can find North Fish and Salad Story. Starbucks, which is developing predominantly on shopping streets, has a strategy of opening stores in good quality shopping schemes in Poland. The rapid development of relatively new food & drink concepts such as Express Kuchnia Marche is worth mentioning.

TOP 10 SHOPPING CENTRES WITH THE MOST DIVERSE ENTERTAINMENT AND LEISURE OFFER IN 18 CITIES

SCHEME	ENTERTAINMENT AND LEISURE CONCEPTS
MANUFAKTURA Łódź	Cinema City, Experymentarium, Jazda Park, Grakula, Stratosfera, Jatomi Fitness, Kasyno, Jupi Park, Muzeum Fabryki, Arena Laser Games, Alliance Francaise, Muzeum Miasta Łodzi, Teatr Mały, Egurrola Dance Studio, Ms2
BLUE CITY Warsaw	Helios*, Jatomi Fitness, ATA świat modeli, Egurolla Dance Studio, Inca Play, Kraina Futbolu, Lucid Club, Macro Games Cube, Squash City, Time Machine Minigolf
MILLENNIUM HALL Rzeszów	Multikino, Fantazja, Iskra, Cinetrix 6D Extreme, Klub sportowy, Siemacha, Lukr, Jatomi Fitness, Love Bar, DagArt Galerie, City Climb
NOWY ŚWIAT Rzeszów	Kino 6D, Calypso, CrossGym, Klub Karate, Kinderplaneta, Akademia Judo, Młodzieżowy Dom Kultury, Dwa Plany, Kręgielnia Kula, Szkoła Muzyczna Yamacha, Szkoła Rolkowa Wodzu, Master school
OLIMP Lublin	Multikino, Ścianka Sky Park, Koziołek, Masters Bowling&Billard, Szkoła Tańca UDS, Cartmax, GetGYM, Hop Sala
SFERA Bielsko-Biała	Helios, Atmosfera, Klub Klimat, Leopark, Nowy Klub, Cubana, Smart Gym
ECHO Kielce	Helios, MK Bowling, Jatomi Fitness, Raj Urwisa, Laser Game
AGORA BYTOM Bytom	Cinema City, Jatomi Fitness, Bajtel Plac, Sala Koncertowa, City Climb Bytom, Galeria na Poziomie, Profi-Lingua, Pin Up Klub, Laser House
FORUM Gliwice	Cinema City, Jatomi Fitness, Biblioforum, Galeria Forum, Galeria Ogród Wyobraźni, Dzieciakowo
ALEJA BIELANY Wrocław	Helios, Aleja Juniora, Loopy's World, Zabawowy Plac Budowy, Chillout room, Fitness Academy, House of VR

LEGEND

CINEMA · KIDSPLAY · BOWLING · EDUCATION

FITNESS · DANCE STUDIO · CULTURE · OTHER

*2018

Source: Colliers International

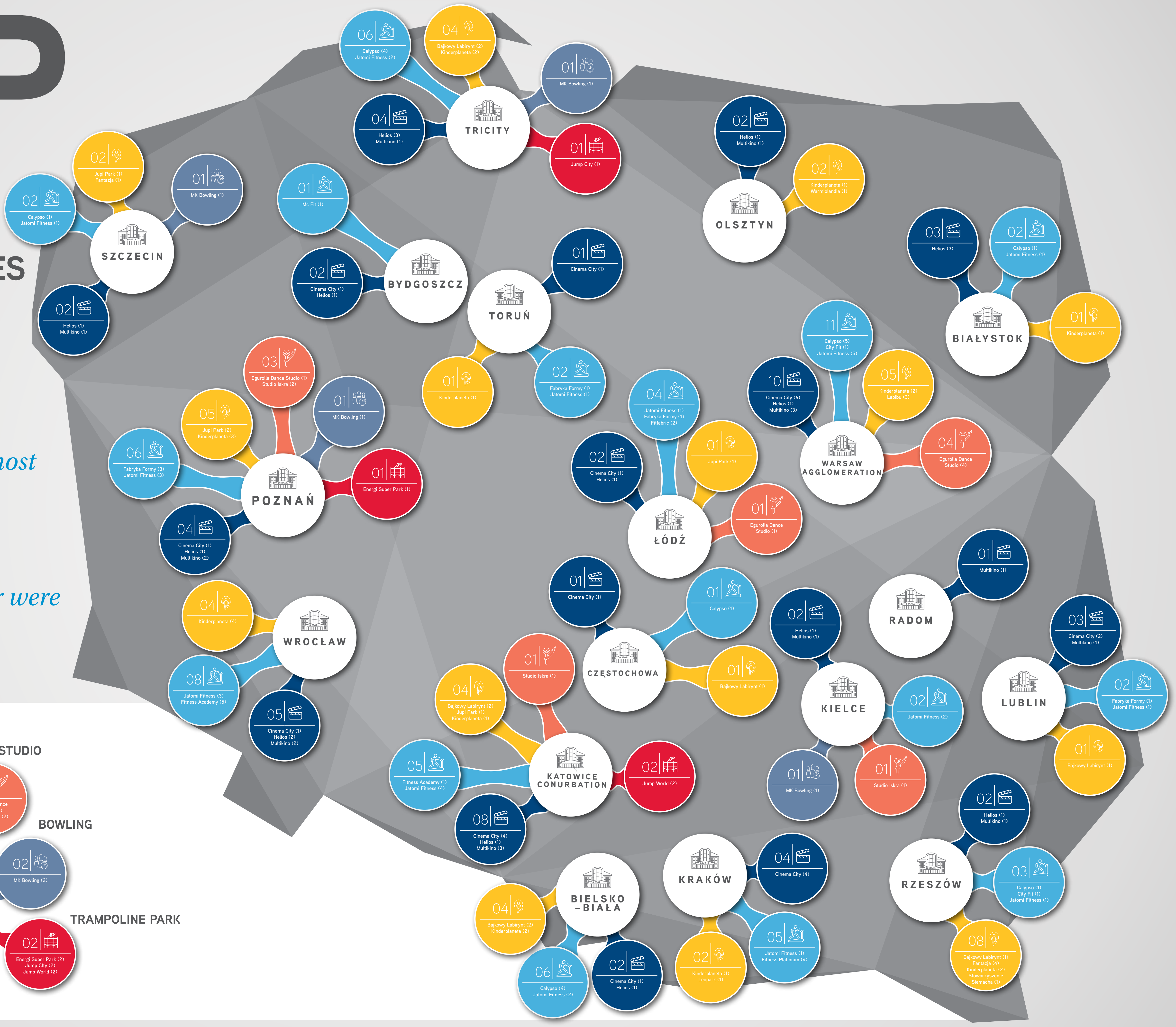
MAP

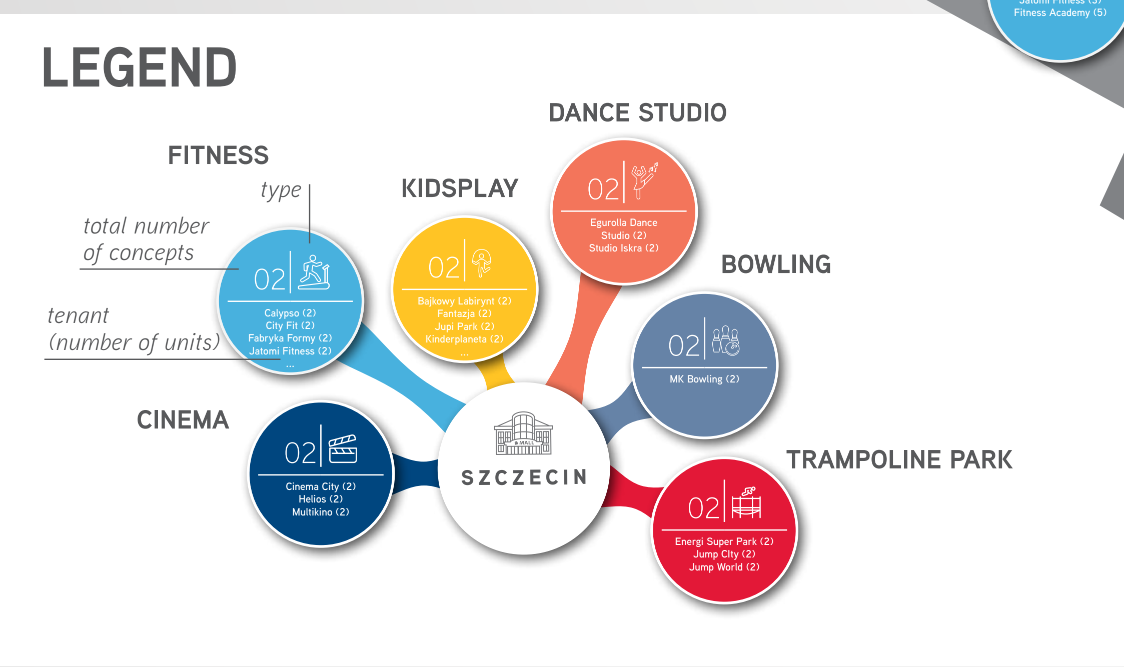
OF ENTERTAINMENT AND RECREATION IN SHOPPING CENTRES IN 18 LARGEST CITIES IN POLAND

(SELECTED CONCEPTS)

Experts from Colliers International identified six most common entertainment and leisure concepts located in shopping centres.

Main tenants from this sector were also presented on the map.





DOES BIGGER MEAN BETTER?

Knowing the importance of the role of leisure and entertainment, the owners of existing shopping centres in Poland are making an effort to expand and enhance this type of offer. For nearly ten years, expansions amount on average to approximately 20% of annual supply. Newly delivered space is given over for chains expanding their stores and retail tenants as well as food & drink, leisure and entertainment.

For some centres, expanding their leisure and entertainment offer is the result of consistently introduced market strategy and for some a result of commercialising abandoned spaces and space not leased to large-area tenants. Numerous experiences show that the concept of further development and repositioning through the concepts mentioned here should, however, be consistent, and newly opened entertainment concepts should be integrated with the whole offer of the shopping centre.

Among the fifty expansions in the period 2013 to Q2 2017, ten of them involved the expansion of the leisure and entertainment offer. New arrangements of common areas, comfortable relax zones, a significantly expanded and varied food & drink offer and new forms of entertainment offered across bigger and bigger areas are the natural answer to changing consumer demands and increasing competition in the retail sphere.

Do you know that in shopping centres in the eighteen largest cities in Poland there is a choice of 2,100 restaurants, bars, cafes and food & drink units?

Leisure and entertainment is introduced both in medium size schemes and the largest shopping centres. The most interesting examples of shopping centres repositioning with leisure and entertainment are Riviera Gdynia (Helios, Funpark, Tiger Gym, food court), Morena Gdańsk (Cinema 3D, Kinderplaneta, Calypso,

Source: theleisureway, Gran Turia, Spain food court, green terrace) and Aleja Bielany Wrocław (Helios, Fitness Academy, Aleja Juniora, Loopy's World, Zabawowy Plac Budowy, chillout room, food court).

Currently in Poland, shopping centres under construction are allocating approximately 15-20% of their space for leisure, entertainment and food & drink services. In Galeria Północna in Warsaw, apart from a multiplex, fitness club and a children's play centre, a roof garden was completed. Wroclavia will boast a Grand Kitchen restaurant area connected with green gardens, an IMAX cinema, fitness club and a kidsplay. Galeria Młociny is planning an area dedicated to leisure and entertainment connected with an outside patio and parks, leisure and food areas, a green terrace, trampoline park, multiplex, fitness club and a kidsplay.

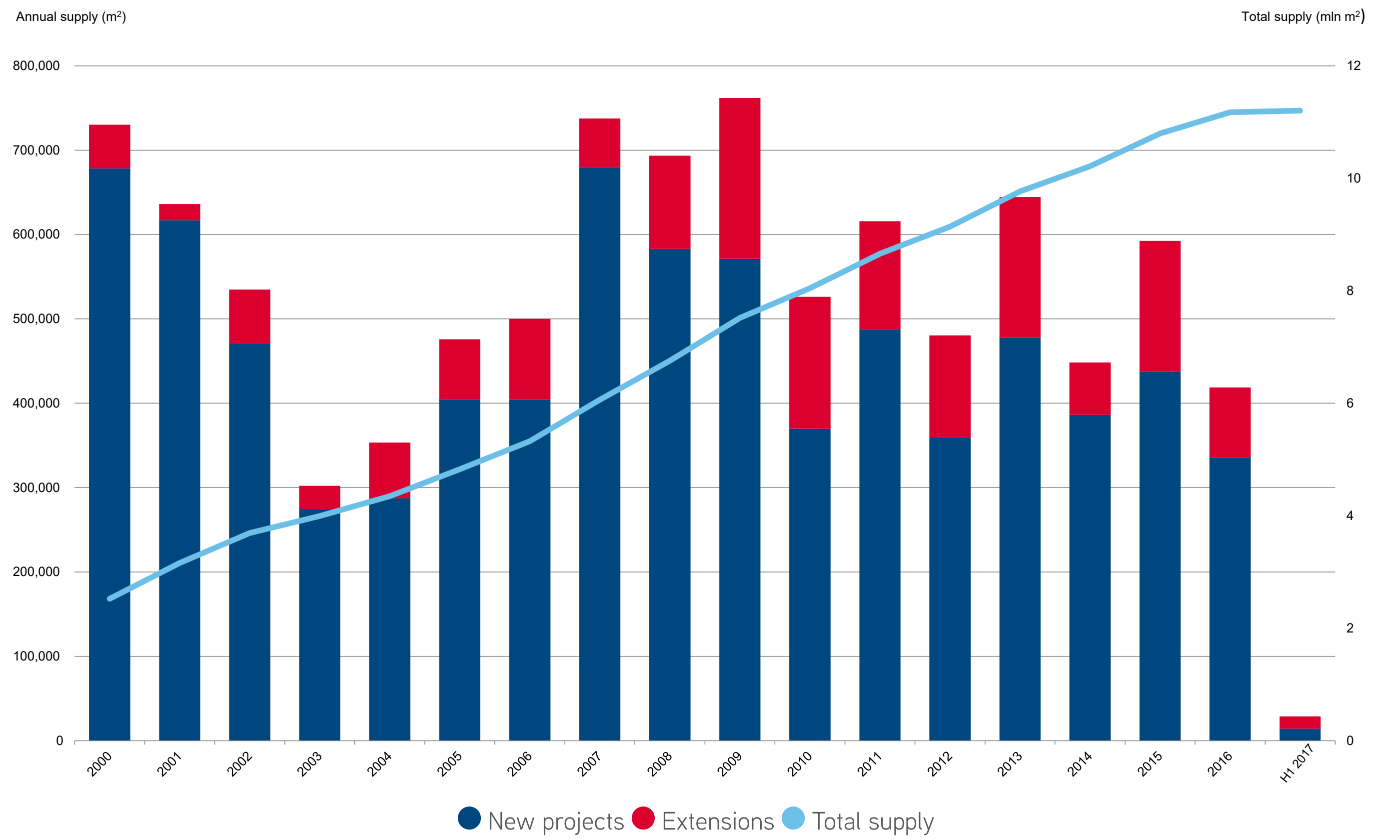
Do you know that the only casino in a shopping centre in Poland is in Manufaktura in Łódź?

In turn, in Galeria Libero in Katowice an educational centre will be opened accompanied by a multiplex, fitness club, sports club and food & drink complex with a terrace and a city square designed to hold various types of sports and artistic events.

In IKEA Zabrze project, apart from a cinema, fitness club and a kidsplay, a few acres of outside space will be allocated for entertainment and leisure. Cycle paths, kidsplays, chillout places, outdoor gym and external gastronomy are considered.

Source: theleisureway, Beach Tower, Singapore

SHARE OF EXPANSIONS IN ANNUAL SHOPPING CENTRES SUPPLY IN THE PERIOD 2000 - Q2 2017



Source: Colliers International

INSPIRATIONS FROM ABROAD

Consumers both in Poland and throughout the world are looking forward for more friendly and sustainable environment in which they work, shop and spend their free time. In this context, spaces designated in shopping centres for entertainment and leisure are of particular importance and their planning requires an innovative and creative approach, the use of modern technologies and solutions that integrate commercial and public space.

Developers and shopping centre managers from all over the world are developing outdoor areas around their facilities, and creating spaces for leisure activities such as educational parks, leisureal facilities, green spaces and water reservoirs. Shopping centres that specialise in organising open-air events include Puerto Venecia in Saragossa and Mall of Switzerland.

Source: theleisureway, Freeport Fashion Outlet, Portugal

Sports attractions are traditional elements of shopping centres and they are not limited only to fitness clubs or climbing walls. In the best shopping centres in the world we can find ice rinks, centres for extreme sports, ski slopes and aqua parks with waves for surfers. These types of attractions are usually located in very large facilities such as West Mall Edmont in Canada or Mall Emirates in Dubai, but also in geographically closer locations as for AFI Palace in Bucharest, Romania or Vilnius Acropolis in Lithuania.

The food & drink offer is an indispensable part of leisure and entertainment in shopping centres. Shopping centre throughout the world have sophisticated and interactively managed food & drink zones that are places to meet and have fun. These zones have their own identity, brand and managers whose role is to take care of the attractiveness and variety of the changing offer (pop-up stores, food trucks). In the evenings, these places change into music clubs and places for various kinds of artistic, social and educational activities. These kind of attractions can be found in Trinity Leeds or the Intu Trafford Centre Manchester in the UK.

Do you know that Mall of Switzerland will have an artificial sea wave?

Source: theleisureway, Puerto Venecia, Spain

Gastón Gaitan
International Leisure Expert
theleisureway
www.theleisureway.com

The role of leisure in shopping centres.

The game has changed for retailers and shopping centres. The mall is at a critical inflection point. No longer are they primarily about shopping; visitors' appetites for experiences beyond traditional shopping are pushing shopping centre developers to rethink new projects. Developers aim to create "living spaces" as people demand more human, friendly, fresh, dynamic and sustainable environments in which to spend their free time.

We have seen how a trend that only began at the start of this decade is being consolidated: the "emotion driven customer journey" as a new formula to achieve a better position among the competition. Those who have followed this strategy have gained the customer's trust and recognition in the sector. Some examples are Puerto Venecia (Intu) Best Shopping and Leisure Centre Mapic Awards 2013, and Polygone Riviera (Unibail-Rodamco) ICSC European Awards 2017. But there is still a long way to go. Even today, we can find projects ostensibly focused on leisure, but short on investment and effort in the pursuit of original solutions. However, there are many in the sector that recognise the benefits of having a leisure offer that distinguishes them from their competition, and the special features of their centre are ultimately a distinguishing feature.

The retail sector is planning to invest or is already investing in research and innovations focused on improving the customer experience by reducing pain points, also by developing synergies between off-line and the on-line channels and through designing in-store experiences for customers to be able to touch and feel different brand value propositions. Despite all this great evolution, for retail property managers it is important to make sure all these innovations are well exploited and integrated within the shopping centre environment. Therefore, asset managers are interested in evolving their centres into leisure environments and seek a holistic approach when redesigning their value proposition for their tenants and final customers.

At theleisureway, we dream of places being cheerful "living spaces", ecosystems that customers, visitors and guests frequent, connecting through a wide variety of positive emotions and experiences. We believe that non-measurable factors such as sense of community, wellness, social and cultural interaction and local values need to gain importance in the configuration of new centres and refurbishments to guarantee sustainability. This is where leisure as a whole translates into value. We understand leisure brings emotional value and produces positive thoughts and behaviours that influence a virtuous cycle: 1) customers, families and friends feel good 2) feeling good affects thoughts and behaviour positively 3) all this is reflected in longer stays and higher frequency 4) more time spent socially within the retail and ervices environment 5) this state of mind enables an emotional connection with the destination to be made 6) all resulting in growth and high performance.

We are currently working on transforming underperforming spaces into social hubs, initially planned residual entertainment units into successful family destinations, empty parking lots into community areas, seasoning master-plans at initial stages and adding personality to standardised malls. The results do not just come from planning, design and controlled execution, but are the outcome of a working methodology that focuses effectiveness in understanding and solves the real needs of both customers and final users. The singularity of each project resides in the ability to create unique and robust concepts for a leisure system. We have to be sure that we understand each case. After this, success is only matter of time and effort. Innovation in leisure is essential to continue being a leader in offering emotion driven solutions.

Chains that combine stores with leisure can be seen more and more often. Hamleys opened its first store, a shop with a play area for children, in Poland in Warsaw's Galeria Północna. Lego is also opening "discovery centers", which combine a shop and a play area. When planning concepts for children, developers and shopping centre managers are looking for educational concepts that combine education and fun as an attraction for young visitors. In response to these expectations comes KidZania – an interactive world for children with realistic role-playing.

Source: theleisureway, Beach Tower, Singapore

Source: theleisureway, La Tour de Lumière, France

The nearest KidZania can be visited in the Westfield shopping centre in London.

New technologies are coming to the entertainment and leisure sector in shopping centres. Unforgettable experiences are provided by the professional flight simulator in the Mall in Dubai, themed VR booths, laser gaming arenas and labyrinths of mirrors. New technologies effectively build the image of shopping centres as places of leisure and unforgettable experiences.

ENTERTAINMENT CONCEPTS EVOLVING IN SHOPPING CENTRES ON FOREIGN MARKETS

Type	Description
FAMILY ENTERTAINMENT CENTRE	Themed entertainment centres in areas between 5,000 to 10,000 m^2 targeting families are often linked to food courts and a themed store, are designed to offer unique experiences and also to target customers far beyond the standard impact zone (e.g. Lego Discovery Centres, Sea Life Aquariums, Nickeloden Intu – under construction).
BOWLING CLUB	Exclusive bowling clubs are, beside hybrid bowling alleys (which is a combination of bowling alley, DJ's disco and bar), another emerging entertainment concept based on bowling, offering high-end entertainment in places with a more sophisticated design and atmosphere, exclusive music and dining.
PIZZA BUFFET	Concepts that target families with children up to 12 years old. They combine a wide range of casual all-you-can-eat dining, based on a pizza menu with the variety of entertainment in the form of arcade games, simulators, carousels and other types of automatic entertainment devices. These types of concepts occupy areas typical for shopping centres rather than for restaurants (approximately 5,000 m^2).
MULTIPLEX	Cinemas that are transforming into a hybrid that offers film screenings in the latest technology combined with an extensive food & drink offer and additional entertainment such as bowling, DJ disco, simulators and arcade games. Moreover, screening rooms now offer a wide range of seats from folding, double and group seating and sofa lounges.
THEMED STORE	Stores created around famous and recognisable commercial brands or thematically selected products. The element of delivering to customers positive experiences and building a relationship with a brand is the general goal. For American Girl Place or House of Barbie the target customers are girls with mothers. Disney Stores is another example of an iconic branded themed store. To enhance the brand impact, Disney Stores are currently developing an experience and entertainment concept using advanced technology.

Source: Colliers International

Nikolas Löhr
Director Retail Marketing / FREO Group
Mall of Switzerland, Ebikon
www.mallofswitzerland.ch

Entertainment - thinking about children.

Mall of Switzerland is a destination in the heart of Switzerland that surprises and creates enthusiasm. It is unique in Switzerland and combines attractive shopping and pure leisureal fun in one place. The innovative mall stands for fashion, leisure & sports, events, design, trends and superb service over 65,000 m². Visitors experience their own interpretation of the mall as a shopping enthusiast, event visitor, family member, adrenaline junkie or lover of exclusive designs. When developing the Mall of Switzerland, we were aware that a unique kids/family leisure destination would be a key positioning component for the Mall. We got together with theleisureway team through our joint connection with ACROSS. Theleisureway's specialists designed and developed the children's play world Kaleidoskop Kinderland, a personalized family destination for The Mall of Switzerland inspired by Lucerne beautiful surroundings and which design principles are aligned with the unique Schwitzke & Partner' branding and storybook. Kaleidoskop Kinderland is a leisure highlight of the Mall of Switzerland that stands at the heart of the leisure offer. It is the Switzerland's largest play world in a shopping centre, where children can romp, play and learn across approximately 1,500 m². An exciting experience for children of all ages including comprehensive child care, baby services, where children are enticed to have fun and discover new things either alone or together with their parents. Shared experiences and relaxed shopping are considered especially for young families and The Mall of Switzerland implements them perfectly.

Dominika Kurnicka and Aleksandra Śleszyńska
Managers of Take Action Sp. z o.o.
www.timemachineminigolf.pl

Time Machine Minigolf - VR a new format for family entertainment in Poland.

Poles are looking for interesting ways to spend their free time. This trend is strengthened by the growing awareness of the need for the development of children and young people. The national offer in this area is heavily restricted, which is why we plan to build a chain of unique and ultra-modern family-based entertainment centres based on minigolf in the most prestigious locations in Poland. The idea was based after observing entertainment schemes in North America and Western Europe. Minigolf is one of the most popular entertainment sports in the world. Its extraordinary popularity is due to a number of facts: you can play it at any age, simple rules allow active participation without prior theoretical, practical or physical preparation, and the competition creates strong positive emotions that build engagement that are rare in other ways of spending free time with family, friends or colleagues from work.

In January this year in Blue City shopping centre in Warsaw, the first 18-hole interactive minigolf course was opened in Poland. Each path tracks one of the most remarkable events in the history of the world. From the rise of the galaxy, through the dinosaur era and the human civilization, to a spectacular vision of the future. Players experience even more in 3D glasses, and the UV display makes an amazing impression. The entire route has also an educational dimension, which is an important distinction for schools. Interactive history lectures and closed events with DJs and animators are organised here. Multifunctional rooms can be booked for birthday parties, business meetings and other events.

Our initiative will increase the attractiveness of the shopping centre. Its unique format makes it stand out in the local market and makes it a magnet for new customers, as well as an incentive to more frequent visits for regular customers.

SUMMARY

To implement innovative leisure and entertainment concepts is quite a challenge and requires a change of attitude towards running a business in the shopping centre sector and understanding the role of that specific feature. This applies to developers, owners, tenants and advisors, but also to financial institutions, including banks.

For owners, it is a movement away from their traditional position towards being an active "place maker". Creating the third place is more complicated and complex than building a centre, renting it out and managing it. The development of leisure formats and expanding the area allocated to them is a challenge for owners also in terms of the cost of this type of tenant including the adaptation costs. Many large leisure concepts cannot afford the level of rent owners expect from retail tenants. What is more, this type of tenant requires a financial contribution from the owner to make certain of stable financial operating parameters. That is why implementing a leisure offer on a large scale can have implications on the whole investment model. The square meter productivity for this kind of space is mostly lower than that for traditional retail units. But the question is whether this will remain true in the future considering the development of on-line sales and the high density level of stores within one chain?

For property managers, expanding the space in shopping centres dedicated to various types of leisure is becoming an operational challenge. Longer opening hours, different technical requirements for entertainment premises, the maintenance cost of small architecture and the design and building of interactive or external green areas have an impact on the work of teams on the spot and for the shopping centre maintenance costs.

Enlarging common areas, both internal and external, requires active management. Planning activity consistent with total brand strategy is a quality that property managers will develop. More common areas and delivering experiences to customers allowing them to interact with society requires active management, but also skills in creating space and not only space maintenance.

For financing institutions with long-term investment strategies, the expansion of shopping centres with leisure and entertainment features is an investment in footfall and a scheme's "second life". According to American experiences, it is also an opportunity for stable income from leasing in the face of changes in shopping centres due to the development of e-commerce and changes in anchor tenant from the non-food sector. Leisure is exactly what motivates a consumer to leave the world of shopping done online at home and go outside.

Finally, it is the market and more appropriately the customer that will decide how far concepts in shopping centres will develop. Customers' needs have already initiated these. Furthermore, customers, due to their way of living and spending money, will nudge higher the share of leisure in the total space of a shopping centre.

EXPLORE THE VALUE OF LEISURE AND ENTERTAINMENT FOR YOUR CENTRE

Colliers' experts will help you analyse the opportunities and risks. Find out what entertainment and leisure means for your asset management . What it means for leasing ? And, most importantly, what it means for your customers ?

TALK TO US ABOUT YOUR STRATEGIC NEEDS:

Marta Machus-Burek

PARTNER I DIRECTOR | RETAIL AGENCY | RETAIL ADVISORY SERVICES

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Colliers International has been active in the Polish market since 1997 and operates through offices in Warsaw, Kraków, Wrocław, Poznań, Gdańsk Katowice and Łódź with over 250 employees in total. The company has been often honored for its achievements by industry organizations such as Eurobuild, CIJ Journal, CEE Quality Awards and the International Property Awards. Colliers' most recent distinction in Poland include the "Outsourcing Star", given in recognition of its status as one of the most active real estate advisors in the outsourcing sector; and the "Gazele Biznesu" for being one of the most dynamically developing companies in Poland.

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