

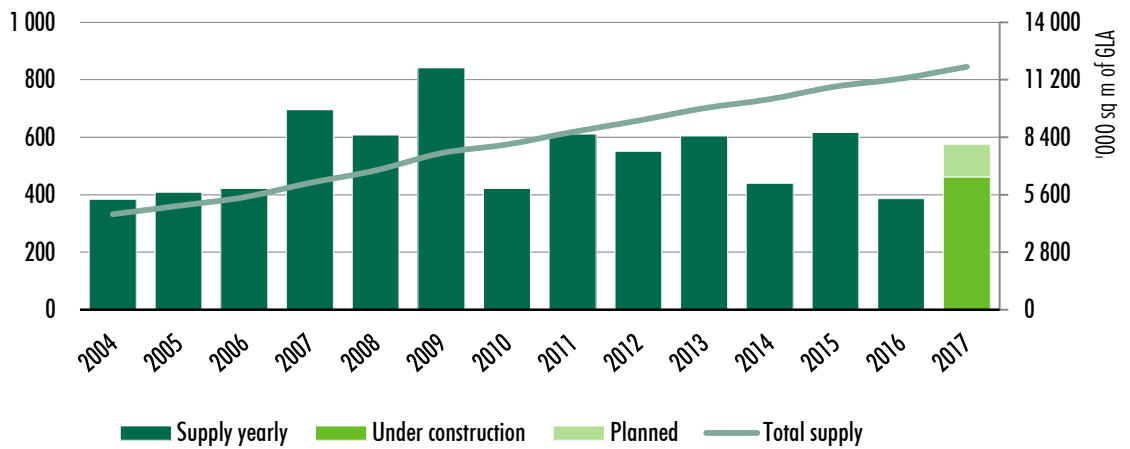
Poland Retail, Q4 2016

Intense ending to a calm year. A solid outlook for 2017

▲ Completions Q4 2016: 282,700 sq m GLA
 ▲ Total stock: 11.26 million sq m GLA
 ▼ Under Construction: 557,800 sq m GLA
 ▲ Retail density: 293 sq m /1,000 inhabitants

*Arrows indicate change from previous quarter.

Figure 1. Shopping centre pipeline in Poland



Source: CBRE Research, Q4 2016

Outlook

- The most important shopping centre openings of 2016 took place in the last quarter of the year. New retail space supply in Q4 2016 totalled 282,700 sq m, accounting for 73% of the new space provision in 2016.
- The share of new projects in completions is expected to shrink, as “white spots” on the retail market slowly disappear. This is also the reason for the increasing importance of extensions, redevelopment and modernization of existing schemes.
- As expected, more than 20 new international brands entered the market in 2016, which is a similar number when compared to 2015.

Figure 2. Selected new brands in Poland in 2016

Country of origin	Retailer name	Retailer sector	City of entry
Spain	Uterqüe	Luxury fashion	Warsaw
USA	Steve Madden	Shoes	Warsaw
Italy	Navigare	Fashion (men)	Warsaw
France	Le Creuset	Kitchen dishes, pots, equipment	Warsaw
Denmark	Lego Store	Children & maternity	Warsaw
USA	Forever21	Fashion	Lodz

Source: CBRE Research, Q4 2016

Supply

In 2016 Poland's total retail floorspace is expected to increase to 11.26 million sq m. The new developments include 17 new projects and 12 extensions, enriching the market by approximately 386,500 sq m of new space, which is 37% less than in 2015.

Among the most significant openings of 2016 there are: Centrum Posnania in Poznan (99,000 sq m of GLA), Galeria Metropolia in Gdansk (34,200 sq m of GLA), Navigator in Mielec (25,400 sq m of GLA), Galeria Wolomin in Wolomin (23,500 sq m of GLA), Galeria Glogovia in Glogow (21,000 sq m of GLA), Galeria Tomaszow in Tomaszow Mazowiecki (16,200 sq m of GLA), Galeria Sudecka extension (Leroy Merlin in retail park, 15,000 sq m of GLA) and Centrum Handlowe HIT in Nowy Dwor Mazowiecki (15,000 sq m of GLA).

This year the first shopping centre disappeared from the Polish retail map - CH Sosnowiec (16,700 sq m of GLA) closed after a hypermarket operator terminated its lease agreement.

Around 557,800 sq m of retail space is currently under construction; almost 25% of it is expected to be completed during H1 2017.

The total new supply in 2017 is expected to be about 20% higher than in 2016, taking into consideration only those projects which are currently under construction.

Trends

In 2017 the number of schemes undergoing modernization and extension is expected to increase. Due to the growing competition from new projects which are being upgraded to modern market standards, older schemes are expected to undergo significant changes in the next few years.

Some new legal regulations in Poland may be considered as a concern for the future. As of September 2016, Poland introduced a progressive tax on large-format retailers, however, Poland's cabinet has approved suspension of new regulation until the end of 2017 (after the European Commission announced their in-depth investigation into it). Additionally, a draft bill proposing the prohibition of Sunday trading was submitted to the Polish Parliament.

Figure 3. Major projects under construction and at an advanced planning stage to be delivered in 2017-2018

City	Project	GLA (sq m)	Opening Year	Developer
Wroclaw	Wroclavia	64,000	2017	Unibail-Rodamco
Warsaw	Galeria Polnocna	64,000	2017	GTC
Gdansk	Forum Gdansk	62,200	2017	Multi Development Poland
Lublin	Ikea Lublin	57,000	2017	IKEA Centres Polska
Katowice	Libero	42,000	2017/2018	Echo Investment
Krakow	Serenada	42,000	2017	Mayland Real Estate
Tychy	Centrum Skalka	36,000	2017	Apollo Rida
Tychy	Gemini Park Tychy	36,000	2017	Gemini Holdings
Biala Podlaska	Karuzela	32,000	2017	Acteeum
Pruszkow	Nowa Stacja Pruszkow	27,000	2017	ECC Real Estate

Source: CBRE Research, Q4 2016

Demand

Demand for retail space in Poland remained at a solid level in 2016. Despite well-known retailers expanding their market share, in 2016 demand for retail space was generated from new brands opening their first shops in Poland. This year over 41% of new retailers were luxury brands, which proves an optimistic market sentiment.

Meanwhile, one of well-known Polish brands, Delicatessen Alma filed out for full bankruptcy, leaving a market opportunity for a new supermarket operator to enter the Polish retail market. Delicatessen Alma was present in 46 locations in 24 cities across Poland.

Rents

Rental levels and the length of negotiations in respect of the best locations have not changed and rents are rather stable for new shopping schemes. However the negotiation process is much longer for poorly located schemes.

Vacancy

The average vacancy ratio in the agglomerations was recorded at the level of 3.0% at the end of H1 2016 and was marginally higher than observed at the end of 2015 (2.9%).

Figure 4. Polish shopping centre prime rents (EUR/sq m/month)



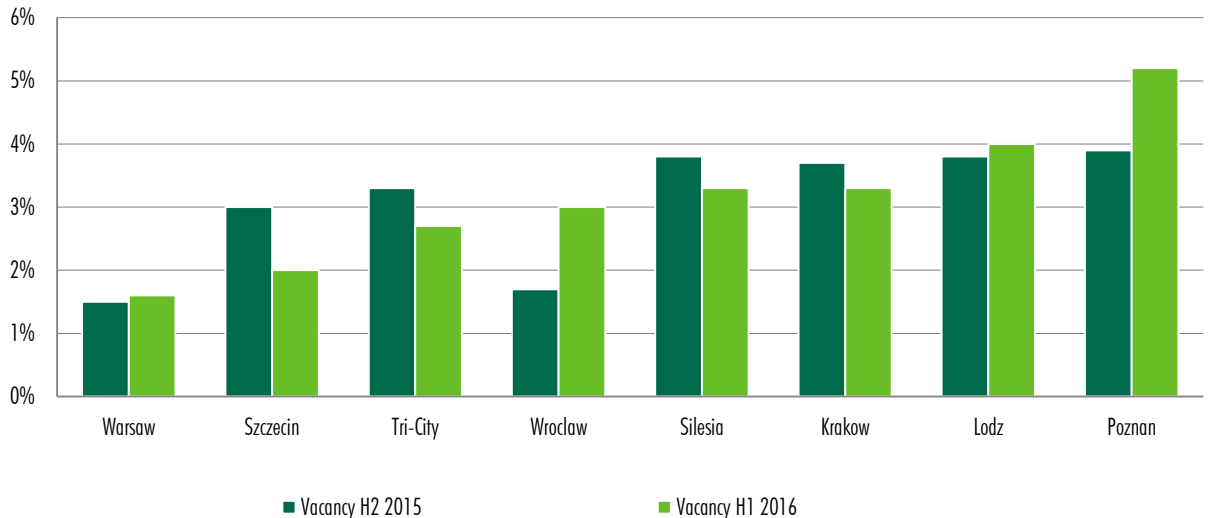
Source: CBRE Research, Q4 2016

However, it is expected to increase, particularly in older, outdated schemes with several new big schemes opening at this year-end. The highest vacancy rates were noted in Poznan (5.2%), Lodz (4.0%), Silesia (3.3%) and Krakow (3.3%).

The lowest level was noted in the Warsaw (1.6%) and Szczecin (2.0%) agglomerations.

The vacancy rate for the 15 largest retail markets in Poland reached 3.3% at the end of June 2016, which is slightly higher than at the end of December 2015 (3.1%).

Figure 5. Vacancy level in Poland in 2016 (%)



Source: CBRE/PRRF H1 2016

Warsaw retail market – perspectives

The Warsaw retail market remains the biggest in Poland, with the best quality shopping centres. Around 13% of total Polish shopping centre stock is located in Warsaw, while the vacancy remains at a record low – 1.6%. In 2016 Warsaw’s total retail floor space increased to almost 1.49 million sq m. The new developments in Warsaw agglomeration included 2 newly constructed projects (Galeria Wolomin in Wolomin, 23,500 sq m of GLA and Gondola Legionowo, 10,500 sq m of GLA) and 2 extensions (two phases of Atrium Promenada of almost 7,700 sq m of GLA in total) enriching the market by around 41,700 sq m of new space, which is 27% less than in the previous year.

Moderate market saturation, above-average purchasing power per capita and the dynamic growth of the population in the agglomeration suggests, that Warsaw has the power to attract new investors and brands. About 136,000 sq m of retail space currently under construction is scheduled to be completed in the next two years.

There are still some underdeveloped areas, that may be considered for new retail locations. However, the Warsaw high streets have the highest potential with a number of new projects and tenants looking to open a new store there.

Figure 6. Warsaw retail and mixed-use projects under construction and planned with a Building Permit with opening scheduled for 2017-2018

Project	GLA (sq m)	Opening date	Developer
Galeria Mlociny	70,000	2018	Master Management Group
Galeria Polnocna (GTC)	64,000	2017	GTC
Nowa Stacja Pruszkow	27,000	2017	ECC Real Estate
Targowek Park Handlowy Phase VII (Agata Meble)	25,000	2017	IKEA Centers Polska
Art Norblin	21,160	2018	Capital Park
Koneser	21,000	2017	BBI Development
Manhattan Pruszkow	13,000	2017	Rekard
Galeria Rondo Wiatraczna (Uniwersam)	11,000	2018	Dantex

Source: CBRE, Q4 2016.

FOLLOW US ON:



Joanna Mroczek
Senior Director
 Research and Marketing
 +48 22 544 8061
 joanna.mroczek@cbre.com

Magdalena Frątczak
Senior Director
 Retail Agency
 +48 22 544 8017
 magda.fratczak@cbre.com

CBRE Office
 CBRE sp. z o.o.
 Rondo ONZ 1, 24th floor
 Warsaw, 00-124

Agata Czarnecka
Associate Director
 Research and Consultancy
 +48 22 544 010
 agata.czarnecka@cbre.com

Walter Wölfler
Senior Director
 Head of Retail CEE
 +43 1 533 40 80-97
 walter.woelfler@cbre.com

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