RETAIL MARKET IN POLAND.
FOCUS ON 8 AGGLOMERATIONS
H1 2015
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The history of the Polish retail property market started 20 years ago with the hypermarkets. For the past 10 years the retail sector has been experiencing a new evolution phase: fashion oriented shopping centres. As previously with the hypermarkets, the second cycle is now coming to an end and the third cycle is commencing as a new era of maturity and diversification.

Together with a changing market environment and new requirements of retail real estate players, the consumer habits are becoming increasingly more diversified while being more demanding in terms of retail concept offer and location.

This results in the necessity to add value to existing mature shopping centres (through extension, repositioning and remodelling) and implement in Polish cities new retail formats such as: high streets, mixed-use properties and strip malls.

Now comes the time for new concepts to enter the market, which trend may continue over the next five to seven years. Polish and Central and Eastern European retail markets are now mature and seem closer to historical western European standards.

In such a challenging environment and given the differentiation of the retail sector, the advisory must be added to brokerage services. Retailers, developers and owners of retail assets, in order to make a smart and sustainable move, need an independent expert who will create a difference locally. A partner that understands local changes in retail and retail in detail.

Let us think out of the box and focus on new tailor-made solutions that will result in achieving your competitive advantages in this changing world of retail. Let us change the game for retail together.

Fabrice Paumelle
Head of Retail
Poland & CEE
THE RETAIL MARKET DEVELOPMENT IN POLAND HAS BEEN Boosted BY THE STRENGTH OF THE ECONOMY

Positive macroeconomic indicators have supported retail market development over the last few quarters. Poland has recorded sustainable growth over the last decade, achieving an annual average of 4% in GDP. In Q2 2015 the pace of economic growth reached 3.6% and according to economist forecasts, Poland should reach an average of 3-3.5% GDP growth in the mid-term horizon.

Except for 2011-2012 when inflation floated between 3.0 to 4.0%, CPI remained subdued over the last 5 years ranging from 0.9 to 2.6%. Over the last few quarters inflation has been negative, scoring -0.7% at the end of June, which is a time-lag effect of deflation recorded in Western Europe and the US.

The unemployment rate has been declining for the last couple of quarters and in June was at 10.3%, which is the lowest since 2001. According to BNP Paribas forecasts it should continue to fall over the next few years.

The gross monthly salaries have been constantly rising, achieving around 4,040 PLN (~€974) at the end of Q2 2015.

Retail sales have been following a similar pattern with an average 10-yr growth of 5%, though these are seasonally driven and dependent on external factors. The most recent data released by GUS (Central Statistical Office) shows growth of 6.6% at the end of June.

The macroeconomic situation in the largest agglomerations (above 400,000 inhabitants) has been always been considerably better compared to the national level, scoring lower unemployment rate (in most cases below 5.0%) and higher salary levels (approx. 20-30% higher than the average for Poland). Consequently, their purchasing power also exceeds the national rate from 16% to 80%.
MAP OF POLAND WITH KEY MACROECONOMIC INDICATORS FOR THE ANALYSED CITIES

**LEGEND**
- Population of capital / agglomeration
- Unemployment rate
- Purchasing power

**MAP OF POLAND WITH KEY MACROECONOMIC INDICATORS FOR THE ANALYSED CITIES**

**POZNAŃ**
- Population: 545,700
- Unemployment rate: 2.9%
- Purchasing power: €8,163

**WROCŁAW**
- Population: 634,500
- Unemployment rate: 3.9%
- Purchasing power: €8,225

**SZCZECIN**
- Population: 407,200
- Unemployment rate: 8.0%
- Purchasing power: €7,215

**TRI-CITY**
- Population: 461,500
- Unemployment rate: 5.2%
- Purchasing power: €7,679

**POLAND**
- Population: 38,478,600
- Unemployment rate: 10.3%
- Purchasing power: €6,170

**WARSAW**
- Population: 1,735,400
- Unemployment rate: 3.9%
- Purchasing power: €11,222

**ŁÓDŹ**
- Population: 706,000
- Unemployment rate: 10.8%
- Purchasing power: €7,181

**SILESIA**
- Population: 301,800
- Employment rate: 4.2%
- Purchasing power: €8,089

**KRAKÓW**
- Population: 761,900
- Employment rate: 4.9%
- Purchasing power: €7,337

* Data for capital city of voivodship
1. As of December 2014
2. As of June 2015

Source: GUS (Central Statistical Office), GFK
At the end of June 2015 shopping centre stock (traditional shopping centres, retail parks and retail outlets) stood at 10.5 million. In the first six months of the year approximately 183,000 sqm were delivered, of which extensions to existing assets constituted some 44%. Only one small completion was recorded in one of the largest agglomerations. Other retail formats, mainly stand-alone schemes (cash&carrys, electronics, household equipment stores or DIY) add approx. 2.2 million sqm.

In terms of formats, traditional shopping centres constitute the bulk of stock accounting for 89% of the retail volume, followed by retail parks with 9% market share. It should be noted that over the course of the last couple of years the latter format has been gaining in importance with substantial share in new completions, especially by expansions. Outlet centres remain the least represented category of retail schemes with 2%.

Analysing the provision of retail space by size of cities shows, the majority of stock is located in eight agglomerations, which have 55% of the market share. They are followed by small cities of below 100,000 inhabitants with 18%. Mid-size (100-199,000 inhabitants) and large cities (200-400,000 inhabitants) account for 15% and 12% respectively.

Whilst in recent years the bulk of the new supply was delivered in mid and small size cities, over the course of 2016-2018 the trend is likely to reverse with major pipeline schemes located in large agglomerations. This includes the 100,000 sqm Posnania by Apsys (Poznań), Unibail Rodamco’s Wroclavia, which will offer 64,000 sqm in Wrocław, GTC’s Galeria Północna (65,000 sqm) in Warsaw and a mix-use 62,000 sqm Forum Gdańsk by Multi.

**TOP 5 COMPLETIONS IN H1 2015**

<table>
<thead>
<tr>
<th>Project</th>
<th>Type</th>
<th>City</th>
<th>City size</th>
<th>GLA (sqm)</th>
<th>Developer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tarasy Zamkowe</td>
<td>Shopping centre</td>
<td>Lublin</td>
<td>200-400,000</td>
<td>38,000</td>
<td>Immofinanz</td>
</tr>
<tr>
<td>Galeria Neptun</td>
<td>Shopping centre</td>
<td>Starogard Gdański</td>
<td>50-100,000</td>
<td>25,000</td>
<td>Galeria Neptun Sp. z o.o.</td>
</tr>
<tr>
<td>CH Ogrody ext.</td>
<td>Shopping centre</td>
<td>Elbląg</td>
<td>100-199,000</td>
<td>22,500</td>
<td>CBRE Global Investors</td>
</tr>
<tr>
<td>Atrium Copernicus ext.</td>
<td>Shopping centre</td>
<td>Toruń</td>
<td>200-400,000</td>
<td>17,000</td>
<td>Atrium European RE</td>
</tr>
<tr>
<td>Galeria Sudecka ext.</td>
<td>Shopping centre</td>
<td>Jelenia Góra</td>
<td>100-199,000</td>
<td>12,900</td>
<td>Echo Investment</td>
</tr>
</tbody>
</table>
There are significant differences regarding saturation rate in agglomerations. Poznań and Wrocław belong to the most saturated league, whilst Szczecin stock remains moderate in relation to its population.

Apart from these retail formats, high streets in major agglomerations, especially in Warsaw and Kraków, are growing on importance for both landlords as well as retailers.

Considering the size of the Polish retail market and an inevitable change in tenant-mix of shopping centres as consumer spending patterns evolve, there is a lot of room for newcomers and emergence of new forms of retailing. Similar to previous years, in the last few quarters Poland has welcomed new brands who decided to enter the market. These include: KIABI (fashion), Superdry (fashion), Decimas (fashion), Colin’s (fashion), à Tab (home deco), Desquared 2 (kids fashion) and Courir (shoes).

In categories such as multimedia, sport equipment, home-ware and home accessories, shoes, health & beauty, the pool of available retailers to fill units is limited to a handful of key players.

Prime rents in the best performing shopping centres have remained relatively flat over the first few months of the year, while landlords in secondary schemes had to adopt more flexible approach in reletting strategies. Warsaw’s prime rates, achieving well over €100 per sqm per month are on average double compared with other agglomerations.
MIX-USE SCHEMES PROVIDE AN ALTERNATIVE TO TRADITIONAL RETAIL FORMATS

As the quality of urban life advances, mix-use projects are filling the niche within city centres. Thanks to schemes such as Ethos, Hala Koszyki, CEDET and Art Norblin (all in Warsaw), Półwiejska_2 and Bazar Poznański in Poznań, the city landscape is enriched by new types of commercial space serving multipurpose uses: it gives occupiers the possibility to stand out from traditional retail formats.

HIGH STREETS ARE GAINING IN IMPORTANCE WITH PREMIUM MARKET PICKING UP

With changing consumer habits and ongoing urban regeneration, high streets are back in the game, especially in Warsaw. Many city streets with cafes, restaurants, new pubs and clubs attract not only tourists but also significantly more inhabitants.

Polish customers are seeking new experiences and fresh brands that are not available in the shopping centre offer. The differentiation factor is of vital importance in modern retailing, giving high streets the ground to explore their potential.

DEVELOPERS AND INVESTORS ARE RETURNING TO LARGE CITIES

Over 40% of new supply scheduled for opening by the end of this year is located in large agglomerations. The trend is likely to continue over 2016-2018, provided all the announced pipeline schemes are delivered on time. It is also worth mentioning that the market of new-build will be again dominated by large players such as Unibail Rodamco, ECE, Inter IKEA, Atrium European RE, Apsys, Multi and GTC.

BELOW-EXPECTATION TURNOVER IS FORCING MATURE ASSETS TO REPOSITION

While prime schemes enjoy positive turnover and footfall trends, many mature assets are faced with declining turnovers. These developments have forced some landlords to act. The range and volume of extensions, repositioning and remodelling of mature assets, which are currently in progress have never been so far-reaching. Forward looking landlords have adopted wide-ranging strategies to challenge newly built competitors and meet growing customer expectations. This trend is set to continue over the next few years with some 15-25% of space to be delivered from extensions and remodelling; hence the Polish market has already entered the modern cycle and is much closer to western European models of retailing.
Additionally, due to a growing number of wealthy individuals willing to buy luxury goods, there is plenty of room for up-market and luxury brands.

**E-COMMERCE IS STORMING POLAND WITH OMNI-CHANNEL PROGRESSING AT A FAST PACE**

Growth of e-commerce in Poland is much faster than in the EU, recording 22.8% growth in 2013 (by turnover volume) against 14.7% in the EU (by Eurostat). With an average online shopping basket at €539 compared with €1,243 in the EU Poland has significant catch-up potential.

E-commerce will not replace the traditional form of retail but has already fostered changes in the retail scene. The revolution has taken its toll on electronics and multimedia retailers who have had to shrink space occupied. Other retailers seem to deal with it well by adopting omnichannel strategies, offering mobile applications and choices for delivery. Poland is going the same way as Western European countries, especially when it comes to “click&collect” points, which actually increase retail sales in stores.

**SHOPPING CENTRES ARE BECOMING AN IMPORTANT ELEMENT OF THE CITY LANDSCAPE AND URBAN LIFE**

For many visitors to shopping centres, the motivation is not necessarily to make an intentional purchase, but to browse and enjoy the sensory experience. They make contact with other people as a leisure pursuit, which is a need that cannot be replicated online. Thus rearrangements of common areas, food courts, leisure time are necessary as shopping centres become fully integrated as part of the city – serving as urban space with proper social functions where people get together.

**ONGOING MARKET CONSOLIDATION IN THE LARGE FOOD OPERATOR SECTOR IS INEVITABLE**

After the merger of big corporates last year – Auchan taking over Real - we are currently observing the largest rebranding and consolidation process seen in years. It mirrors a similar pattern observed in Western Europe a decade ago, the market consolidation may shortly impact non-food retail networks such as electronics, DIY or fashion.

**INVESTOR CHASE FOR RETAIL ASSETS IS UNRELENTING**

There is undiminished appetite to purchase retail assets in Poland with large international players in the game. With large lot sizes already sold, the volume of retail investments in Poland could exceed €1 billion by the year-end, as investors are willing to pay premium for prime schemes such as Riviera in Gdynia. Yet, they are also neglecting good secondary projects with substantial differences in price expectations between owners and potential buyers.
Warsaw

The total retail stock in the capital reached 1.8 million sqm at the end of H1 2015. When considering only modern retail space according to the ICSC, it stood at 1.42 million sqm. It should be noted that the city has overtaken Prague in terms of disposable income (according to GfK Purchasing Power Index 2014/2015 – €11,222 per capita). Warsaw is also a key business destination in Poland, which influences retail market.

Over the last two years Warsaw has not seen any major retail developments and records lower density of 555 sqm per 1,000 inhabitants, which is below the average for large agglomerations of 583 sqm. The situation is bound to change over the next 2 years. By the end of 2015 the market will further increase by 33,600 sqm (including extension of Wola Park and new concept of Modo), followed by 178,800 sq m to be delivered over 2016-2018 (Galeria Północna – 64,000 sqm, the next phase of Atrium Promenada and Galeria Wolomin). Extensions will account for 18% of new supply.

Apart from the pipeline schemes in advanced stage, there are more projects planned, including Galeria Młociny, extensions of CH Janki, and Auchan Piaseczno, which will further expand the retail offer in the agglomeration.

The term “high street” or “shopping street” includes a broad range of retail and service activities as well as fashion. Enhanced brand image and visibility along with lack of vacant space in prime shopping centres make high streets so attractive for new market entrants willing to mark their presence with flagship stores. The established high streets in Warsaw are Nowy Świat (focused on lifestyle), Chmielna (targeting mid- and mass market) and the cluster around Three Crosses Square and Mokotowska (driven by upmarket and premium brands). A number of luxury retailers are interested in opening their flagship stores there, which has been confirmed by newcomers such as Omega (Swatch Group watch premium brand) with their flagship store on the Three Crosses Square. Fashion brands such as Louis Vuitton, Gucci, Kering Group’s Saint Laurent and Bottega Veneta are based in Vitkac. Louis Loake and Manor of Elegance are located on Mokotowska Street. Others such as Forever 21 (fashion) have expressed their interest in the district.

Prime rents in Warsaw agglomeration are the highest in Poland, achieving €95-105 per sqm/month. Similar ranges are recorded on major high streets for the same sizes.

<table>
<thead>
<tr>
<th>Category</th>
<th>Retailer</th>
<th>No. of units in shopping centre</th>
<th>Est. total GLA (sqm)</th>
</tr>
</thead>
<tbody>
<tr>
<td>DIY</td>
<td>Leroy Merlin</td>
<td>5</td>
<td>50,000</td>
</tr>
<tr>
<td></td>
<td>Castorama</td>
<td>4</td>
<td>28,000</td>
</tr>
<tr>
<td></td>
<td>Praktiker</td>
<td>2</td>
<td>18,000</td>
</tr>
<tr>
<td>Electronics</td>
<td>RTV Euro AGD</td>
<td>16</td>
<td>16,000</td>
</tr>
<tr>
<td></td>
<td>Saturn</td>
<td>5</td>
<td>15,000</td>
</tr>
<tr>
<td></td>
<td>Media Markt</td>
<td>4</td>
<td>10,000</td>
</tr>
<tr>
<td>Entertainment &amp; leisure</td>
<td>Cinema City</td>
<td>6</td>
<td>18,000</td>
</tr>
<tr>
<td></td>
<td>Pure latami</td>
<td>6</td>
<td>9,000</td>
</tr>
<tr>
<td></td>
<td>Modikino</td>
<td>3</td>
<td>7,500</td>
</tr>
<tr>
<td>Fashion mixed</td>
<td>H&amp;M</td>
<td>15</td>
<td>24,000</td>
</tr>
<tr>
<td></td>
<td>Zara</td>
<td>8</td>
<td>16,000</td>
</tr>
<tr>
<td></td>
<td>Reserved</td>
<td>16</td>
<td>14,400</td>
</tr>
<tr>
<td></td>
<td>Peebl&amp;lopenburg</td>
<td>3</td>
<td>9,000</td>
</tr>
<tr>
<td></td>
<td>C&amp;A</td>
<td>7</td>
<td>8,400</td>
</tr>
<tr>
<td>Fashion women</td>
<td>Mohito</td>
<td>10</td>
<td>4,000</td>
</tr>
<tr>
<td></td>
<td>Strawdarius</td>
<td>8</td>
<td>3,200</td>
</tr>
<tr>
<td></td>
<td>Mango</td>
<td>4</td>
<td>2,400</td>
</tr>
<tr>
<td></td>
<td>Orsay</td>
<td>13</td>
<td>2,540</td>
</tr>
<tr>
<td>Health &amp; beauty</td>
<td>Rossmann</td>
<td>17</td>
<td>5,950</td>
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<td></td>
<td>Sepphera</td>
<td>16</td>
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<tr>
<td></td>
<td>Super Pharm</td>
<td>8</td>
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</tr>
<tr>
<td></td>
<td>Douglas</td>
<td>11</td>
<td>3,080</td>
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<tr>
<td>Shoes</td>
<td>CCC</td>
<td>21</td>
<td>10,500</td>
</tr>
<tr>
<td></td>
<td>Deichmann</td>
<td>13</td>
<td>5,850</td>
</tr>
<tr>
<td></td>
<td>Gino Rossi</td>
<td>13</td>
<td>1,820</td>
</tr>
<tr>
<td></td>
<td>Wojas</td>
<td>14</td>
<td>1,820</td>
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<tr>
<td>Sport equipment</td>
<td>Decathlon</td>
<td>4</td>
<td>11,200</td>
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<tr>
<td></td>
<td>GD Sport</td>
<td>8</td>
<td>8,000</td>
</tr>
<tr>
<td></td>
<td>InterSport</td>
<td>3</td>
<td>3,000</td>
</tr>
<tr>
<td>Super / hypermarket</td>
<td>Auchan*</td>
<td>7</td>
<td>84,000</td>
</tr>
<tr>
<td></td>
<td>Tesco</td>
<td>6</td>
<td>42,000</td>
</tr>
<tr>
<td></td>
<td>Carrefour</td>
<td>8</td>
<td>40,000</td>
</tr>
<tr>
<td></td>
<td>E.Leclerc</td>
<td>3</td>
<td>10,500</td>
</tr>
<tr>
<td></td>
<td>Alma</td>
<td>4</td>
<td>8,000</td>
</tr>
</tbody>
</table>

*Including real,- rebranded stores

Source: BNP Paribas Real Estate, f - forecast

1. Listed by size of agglomeration
2. Retail stock consisting of shopping centres, retail parks and factory outlets
THE LARGEST SHOPPING CENTRES (over 30,000 sqm GLA) AND OTHER RETAIL FORMATS

TRADITIONAL SC

1 Arkadia
2 Atrium Promenade (ext. P)
3 Atrium Reduta
4 Atrium Targówek
5 Blue City
6 CH Auchan Łomianki
7 CH Janki
8 Auchan Piaseczno
9 CH Ursynów
10 Galeria Bemowo
11 Galeria Mokotów
12 Galeria Północna (P)
13 Galeria Wilanów (P)
14 Galeria Wilczejka
15 Tesco Polczyńska
16 Wola Park (ext. P)
17 Złote Tarasy

OTHER FORMATS

1 Art. Norblin (mixed, P)
2 CEDET (mixed, P)
3 CK61 (RP)
4 ETHOS (P)
5 Hala Koszyki (mixed, P)
6 Factory Ursus (RO)
7 Fashion House Warszawa (RO)
8 M1 Marki (RP)
9 Park Handlowy Janki (RP)
10 Park Handlowy Targówek (RP)

1,420,500 sqm
175,000 sqm

10°154

2

11

555

€11,222

181.90%

1. Pipeline (H2 2015-2017), 2. GFK

11
Silesia conurbation, with Katowice serving at its capital, is the second largest retail market in Poland, due to its high density population and wealth of its inhabitants. The current retail stock is estimated at 1.1 million sqm, of which 80% is modern stock by ICSC standards. Density of shopping centres per 1,000 inhabitants is 513 sqm. This relatively low level derives from the large area covered by the conurbation.

The majority of cities within the conurbation have decent provision of modern retail space in different sizes and formats, but it is Katowice city centre with Galeria Katowicka and Silesia City Centre, which serve as the key hub for retailers. The cluster will be further strengthened by the redevelopment of Sezam.

In addition to dominant regional centres located mainly in Katowice, a majority of the cities within conurbation are equipped with retail accommodation with large projects located in Gliwice, Zabrze, Bytom and Sosnowiec and Dąbrowa Górnicza.

The retail stock in conurbation will be boosted modestly over the next two years with only 52,500 sqm delivered. Projects beyond 2017 include the 42,000 sqm Galeria Echo Katowice and Ikea Centre Group has purchased land in Zabrze with a plan to develop a large-scale project, but no further plans have been revealed yet.

The main high streets in Katowice are 3-go Maja and Stawowa, but due to proximity to Galeria Katowicka there is not significant influx of retailers in the area, which is dominated by services and gastronomy.

In terms of retail chain presence, Katowice is well equipped with a majority of brands present.

Prime rents in the best schemes range from €47 to €52 per sqm per month and should remain stable in the short- to medium-term. High street units values are approximately 10-15% lower.
THE LARGEST SHOPPING CENTRES (over 30,000 sqm GLA) AND OTHER RETAIL FORMATS

- **TRADITIONAL SC**
  1. Stawy
  2. Agora Bytom
  3. Arena
  4. Atrium Plejada
  5. CH Auchan Gliwice
  6. CH Auchan Sosnowiec
  7. CH Skalka (ext. P)
  8. Europa Centralna
  9. Forum Gliwice
  10. Galeria Echo Katowice (P)
  11. Galeria Katowicka
  12. Galeria Zawiercie
  13. M1 Czeladź
  14. M1 Zabrze
  15. Plejada
  16. Pogoria
  17. Silesia City Center

- **OTHER FORMATS**
  1. RAVA Park Handlowy (RP)
  2. Fashion House Sosnowiec (RO)
  3. Supersam (mixed) (P)

**Prime rent in shopping centre**

- €45-50 €/sqm/month

**Prime rent in high street**

- €35-40 €/sqm/month

**Gross Leasable Area (GLA) of existing / planned retail schemes**

- 1,109,700 sqm
- 52,500 sqm

**No. of existing / planned retail schemes**

- 46
- 3

**Current / future retail density per 1,000 inhabitants**

- 513
- 538

**Purchasing Power / Purchasing Power Index**

- €8,089
- 131.20%

1. Pipeline (H2 2015-2017), 2. GFK
At the end of June 2015 the total retail stock in Kraków stood at 549,400 sqm. The market boomed over 2005-2009 with completions of Galeria Krakowska, Galeria Kazimierz and Bonarka City Center. Over the last two years, after the opening of Galeria Bronowice by Immochan, there were no significant projects delivered.

It should be noted that the north of agglomeration has been developing first over recent years. This trend will continue as the only scheme, which is under construction, the 42,000 sqm Serenada, is located in this area. There are also plans to modernize and extend Krokus shopping centre, but no further details or timing have been announced.

After opening of Serenada, scheduled the saturation rate in agglomeration will increase from 531 sqm to 571 per 1,000 inhabitants.

Due to the fact that Kraków is Poland’s top tourist destination, the high street market is well developed in the city. The key areas include: Grodzka, Florianska, the Market Square and Szewska. Apart from restaurants, bars and pubs, there are many mid- and upmarket brands operating within the cluster spurred by both tourist as well as a business traffic.

The vast majority of international brands are present in Kraków. The range of offer is extensive and diversified both in shopping centres as well as high streets.

Prime retail rents in the city are in the range €45-55/sqm/month in shopping centres and €80-90 in high streets.
THE LARGEST SHOPPING CENTRES (over 30,000 sqm GLA) AND OTHER RETAIL FORMATS

TRADITIONAL SC
1. Bonarka City Center
2. Carrefour Czyżyny
3. Galeria Bronowice
4. Galeria Kazimierz
5. Galeria Krakowska
6. M1 Kraków
7. Plaza Kraków
8. Serenada (P)
9. Zakopianka

OTHER FORMATS
1. Factory Kraków (RO)
2. Futura Park (RP)

RP = retail park, RO = retail outlet, P = pipeline

HIGH STREETS IN KRAKÓW

Prime rent in shopping centre
€45-50 €/sqm/month

Prime rent in high street
€80-90 €/sqm/month

549,400 sqm
42,000 sqm

GLA of existing / planned retail schemes

531
571

No. of existing / planned retail schemes

15
1

Current / future retail density per 1,000 inhabitants

€7,337
118.90%

Purchasing Power / Purchasing Power Index

1. Pipeline (H2 2015-2017), 2. GFK
At the end of June 2015 the total retail stock in Tri-City agglomeration stood at 688,630 sqm. The density reached 701 sqm per 1,000 inhabitants.

The last large scheme completed in Tri-City was the extension and remodelling of Riviera shopping centre completed at the end of 2013.

Over the course of the next few years, the agglomeration will record a substantial increase of new retail supply due to the pipeline projects of Forum Gdańsk and Galeria Metropolia, which will result in rise of density to 820 sqm per 1,000 inhabitants. On top of this, ECE is rumored to be undertaking an extension of Galeria Bałtycka.

Given the character, population and size of the agglomeration, it cannot be perceived as one retail destination. There is clearly an unbalanced situation – with high retail density to the south, and relatively low saturation in the north.

Although Sopot may not have provision of shopping centres due to its highly touristic flavour, it does have a strong performing high street along Monte Cassino with growing demand from upmarket retailers. The other cities forming Tri-City also enjoy relatively high demand for high streets, which in Gdańsk primarily means Długi Targ and in Gdynia – Świętojańska.

Prime retail rents in the best shopping centres in Tricity vary from €40-45 per sqm/month, whereas high streets are in the range of €30-50, depending on the city.

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**Tri-City (Gdańsk)**

![Annual Evolution of Retail Stock in Tri-City Agglomeration](chart.png)

*Source: BNP Paribas Real Estate, f - forecast*

### Presence of Selected Retailers in Shopping Centres in Tri-City Agglomeration

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<th>Category</th>
<th>Retailer</th>
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*Including real,- rebranded stores

Source: BNP Paribas Real Estate

1. Capital of the region
THE LARGEST SHOPPING CENTRES (over 30,000 sqm GLA) AND OTHER RETAIL FORMATS

- CH Auchan Gdańsk (P)
- CH Osowa
- Forum Gdańsk (P)
- Galeria Bałtycka
- Galeria Metropolia (P)
- Galeria Morena (ext. P)
- Klif Gdynia
- Matarnia
- Port Rumia
- Riviera

OTHER FORMATS

- Fashion House Gdańsk (RO)
- Morski Park Handlowy (RP)
- Nowe Centrum Sopotu (P)

RP – retail park, RO – retail outlet, P – pipeline, ext. P – extension planned

HIGH STREETS IN GDANSK, GDYNIA AND SOPOT

- €40-45 €/sqm/month Prime rent in shopping centre
- €35-45 €/sqm/month Prime rent in high street
- €30-40 €/sqm/month Prime rent in high street
- €40-50 €/sqm/month Prime rent in high street

688,630 sqm
117,000 sqm

15
4

15
4

688,630 sqm
117,000 sqm

1. Pipeline (H2 2015-2017), 2. GFK
Since 2012, when the first phase of Ptak Fashion City was completed, there were no new deliveries in Łódź agglomeration. For over a decade Manufaktura has been holding a leading position on the local market.

At the end of June 2015 the total retail stock was estimated at 510,350 sqm, which equals 550 sqm per 1,000 inhabitants. This indicator shall increase to 600 sqm per 1,000 inhabitants after the opening of Sukcesja (34,000 sqm GLA) planned for Autumn 2015.

Over the next few years, there are no significant new retail projects in the agglomeration planned. Given the fact that many of the shopping centres operating in the city are relatively old, some remodellings can be expected.

Range of prime rents in Łódź is from €41-46 per sqm/month, while high street units can be leased for €30-40.

Piotrkowska is definitely the leading high street in the city, however, it primarily serves as a promenade with the offer dominated by restaurants, cafes, bars and pubs. Once Nowe Centrum Łodzi is completed, the area may develop further with complementary offer to Manufaktura and Galeria Łódzka.
THE LARGEST SHOPPING CENTRES (over 30,000 sqm GLA) AND OTHER RETAIL FORMATS

TRADITIONAL SC
1. Galeria Łódzka
2. Manufaktura
3. M1 Łódź
4. Pasaz Łódzki
5. Port Łódź
6. Sukcesja (P)
7. Tulipan

OTHER FORMATS
1. Ptak Outlet (RO)
2. Vis a Vis (RP)

RP – retail park, RO – retail outlet, P – pipeline

1. Pipeline (H2 2015-2017), 2. GFK

HIGH STREETS IN ŁÓDŹ

€41-46
E/sqm/month
Prime rent in shopping centre

€30-40
E/sqm/month
Prime rent in high street

510,350 sqm
46,000 sqm
GLA of existing / planned retail schemes

15
1
No. of existing / planned retail schemes

550
600
Current / future retail density per 1,000 inhabitants

€7,181
116.40%
Purchasing Power / Purchasing Power Index

1. Pipeline (H2 2015-2017), 2. GFK
The provision of modern retail stock in the Poznań agglomeration totals 627,610 sqm, contained in 19 schemes.

The current density is 762 per 1,000 inhabitants, which is the highest rate among the large Polish cities. By the end of 2016, after the opening of Posnania 100,000 sqm offering, the ratio will increase to 891. The already tough competition among landlords will be strengthened further. Some retailers may also suffer the cannibalisation effect of oversupply and potential fall decrease of turnover per sqm.

Taking into consideration the strong socio-economic background of the city, the retailer pool is very well developed and the vast majority of brands operating in Poland are also present in Poznań.

The city also has some provision of high street units along Półwiejska, as well as the untypical formats of Bazar Poznański or Półwiejska_2 that accommodate niche retail space.

Retail rents in Poznań’s shopping centres and high streets are relatively similar and on average are in the range €35-45 per sqm/month.
THE LARGEST SHOPPING CENTRES (over 30,000 sqm GLA) AND OTHER RETAIL FORMATS

TRADITIONAL SC
1 CH Auchan Komorniki
2 CH Auchan Tarnowo Podgórne
3 Galeria Malta
4 Galeria Pestka
5 King Cross Marcelin
6 M1 Poznań
7 Poznań City Center
8 Posnania (P)
9 Stary Browar

OTHER FORMATS
1 Factory Poznań (RO)
2 Kupiec Poznański
3 Park Handlowy IKEA (RP)

RP – retail park, RO – retail outlet, P – pipeline

627,610 sqm
106,600 sqm

HIGH STREETS IN Poznań

Prime rent in shopping centre

€45-50
€/sqm/month

€35-45
€/sqm/month

Prime rent in high street

PÓŁWieJska_2

Galeria MM

Bazar Poznański

Other retail format or mixed-use schemes

627,610 sqm

106,600 sqm

19

No. of existing / planned retail schemes

2

762

891

Current / future retail density per 1,000 inhabitants

€8,163

132.30%

Purchasing Power / Purchasing Power Index

1. Pipeline (H2 2015-2017), 2. GFK
The retail market in Wroclaw agglomeration is among the most mature in Poland, with extensive provision of modern schemes, which in total have 598,760 sqm of space. It translates into 758 per 1,000 inhabitants, which is the second highest density rate amongst the largest cities in Poland.

This highly competitive environment will become even tougher for both landlords and retailers as the market will be further expanded over the next two years by two extensions and one new scheme totaling 100,000 sqm.

Wroclaw, which is both a good tourist as well as business destination, has relatively well-developed high streets along Świdnicka, Oławska and Market Square. This market segment has been gaining in importance with substantial retailer demand for this type of retail and service accommodation.

Retailers have to be prepared to pay on average from €42 to 47 per sqm for a prime retail unit in a well-performing scheme. The best high streets rents are in the range of €35-40 per sqm per month.
THE LARGEST SHOPPING CENTRES (over 30,000 sqm GLA) AND OTHER RETAIL FORMATS

TRADITIONAL SC
1. Arkady Wrocławskie
2. Borek
3. CH Auchan Bielany Wrocławskie
4. Korona
5. Magnolia Park (ext. P)
6. Pasaż Grunwaldzki
7. Renoma
8. Wroclavia (P)

OTHER FORMATS
1. Factory Wrocław (RO)
2. Futura Park (RP)
3. Park Handlowy Bielany (RP, ext. P)
4. Sky Tower Wrocław (mixed)

Other retail format or mixed-use schemes

598,760 sqm
100,000 sqm

GLA of existing / planned retail schemes¹

5
19

No. of existing / planned retail schemes¹

758
885

Current / future retail density per 1,000 inhabitants¹

€8,225
133.30%

Purchasing Power / Purchasing Power Index²

1. Pipeline (H2 2015-2017), 2. GFK

1 Arkady Wrocławskie
2 Borek
3 CH Auchan Bielany Wrocławskie
4 Korona
5 Magnolia Park (ext. P)
6 Pasaż Grunwaldzki
7 Renoma
8 Wroclavia (P)
Despite the relatively large population base, Szczecin has only 275,320 sqm of modern retail accommodation, creating the lowest density per 1,000 inhabitants out of the analysed agglomerations at 508.

Since the opening of Galeria Kaskada, no major completions have been recorded: the key positions in the city centre have been taken by Galeria Kaskada and Galaxy. After suspension of plans to extend Galaxy, there are no concrete plans to expand retail provision in the city centre, whereas the peripheral location of Auchan Kolbaskowo is subject to rumours about expansion by Ike.

Given the limited number of retail schemes, the agglomeration has also the lowest number of brands operating.

Compared with other large agglomerations, Szczecin high streets are in their infancy in both supply and demand. Retail units along Aleja Wyzwolenia and Aleja Wojska Polskiego are mainly occupied by services and catering offer with no upmarket or luxury brands present.

The future of high streets in Szczecin can only be located between Kaskada and Galaxy.

Prime rents in shopping centres vary from €38 to 43 per sqm per month with high streets recording around €10-12 less.

### PRESENCE OF SELECTED RETAILERS IN SHOPPING CENTRES IN SZCZECIN AGGLOMERATION

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Source: BNP Paribas Real Estate

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**ANNUAL EVOLUTION OF RETAIL STOCK**

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</tbody>
</table>

Source: BNP Paribas Real Estate, f - forecast
THE LARGEST SHOPPING CENTRES (over 30,000 sqm GLA) AND OTHER RETAIL FORMATS

- **TRADITIONAL SC**
  1. Atrium Molo
  2. Galaxy
  3. Galeria Kaskada
  4. Ster

- **OTHER FORMATS**
  1. Szczecin Outlet Park (RO, ext. P)

**Current / future retail density per 1,000 inhabitants**
- 508
- 516

**Purchasing Power Index**
- €7,215
- 116.90%

**Prime rent in shopping centre**
- €38-43 /sqm/month

**Prime rent in high street**
- €26-31 /sqm/month

275,320 sqm
6,000 sqm

HIGH STREETS IN SZCZECIN

1. Pipeline (H2 2015-2017), 2. GFK

11

1

508
516

€7,215
116.90%
Investment interest in the retail market in Poland continues to be very strong. Yet, due to the limited number of retail schemes for sale, recent volumes have been humble with only €260 million worth of assets traded in the first six months.

A few spectacular transactions scheduled for the second half of the year (Riviera in Gdynia and the portfolio of Karolinka and Pogoria in Opole and Dąbrowa Górnicza respectively) will significantly boost the total size of investment deals sealed in the whole 2015, which may reach well around €1 billion.

Prime yields have compressed to below 5.75% with further compression foreseen with premium investment grade assets. The secondary schemes are usually offered at 6.50-7.50%, depending on the size and location.

### Investment Volumes by Sector

<table>
<thead>
<tr>
<th>Year</th>
<th>Office</th>
<th>Retail</th>
<th>Industrial</th>
<th>Mix use and other</th>
<th>Forecast</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td></td>
<td>2,000</td>
<td></td>
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<tr>
<td>2005</td>
<td>3,000</td>
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<tr>
<td>2006</td>
<td></td>
<td>4,000</td>
<td></td>
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<tr>
<td>2007</td>
<td></td>
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<td>2008</td>
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<tr>
<td>2014</td>
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<td></td>
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<tr>
<td>2015</td>
<td></td>
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<td></td>
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</tr>
</tbody>
</table>

Source: BNP Paribas Real Estate, f - forecast

### Prime Yields by Sector

<table>
<thead>
<tr>
<th>Sector</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>Forecast</th>
</tr>
</thead>
<tbody>
<tr>
<td>Office</td>
<td>10.0%</td>
<td>9.5%</td>
<td>9.0%</td>
<td>8.5%</td>
<td>8.0%</td>
<td>7.5%</td>
<td>7.0%</td>
<td>6.5%</td>
<td>6.0%</td>
<td>5.75%</td>
</tr>
<tr>
<td>Retail</td>
<td>9.0%</td>
<td>8.5%</td>
<td>8.0%</td>
<td>7.5%</td>
<td>7.0%</td>
<td>6.5%</td>
<td>6.0%</td>
<td>5.5%</td>
<td>5.0%</td>
<td>4.75%</td>
</tr>
<tr>
<td>Industrial</td>
<td>8.0%</td>
<td>7.5%</td>
<td>7.0%</td>
<td>6.5%</td>
<td>6.0%</td>
<td>5.5%</td>
<td>5.0%</td>
<td>4.5%</td>
<td>4.0%</td>
<td>3.75%</td>
</tr>
</tbody>
</table>

Source: BNP Paribas Real Estate, f - forecast

### Selected Transactions Completed over H1 2014 and H1 2015

<table>
<thead>
<tr>
<th>Project</th>
<th>City</th>
<th>GLA (sqm)</th>
<th>Volume (€m)</th>
<th>Purchaser</th>
</tr>
</thead>
<tbody>
<tr>
<td>Poznań City Center</td>
<td>Poznań</td>
<td>59,000</td>
<td>227</td>
<td>Resolution Property / ECE</td>
</tr>
<tr>
<td>Focus Park</td>
<td>Bydgoszcz</td>
<td>41,000</td>
<td>122</td>
<td>Atrium European RE</td>
</tr>
<tr>
<td>Sarni Stok</td>
<td>Bielsko-Biała</td>
<td>31,200</td>
<td>85</td>
<td>Union Investment</td>
</tr>
<tr>
<td>Galeria Mazovia</td>
<td>Płock</td>
<td>28,500</td>
<td>70</td>
<td>CBRE Global Investors</td>
</tr>
<tr>
<td>50% of Neinver portfolio</td>
<td>Warsaw, Kraków</td>
<td>31,850</td>
<td>60</td>
<td>TIAA Henderson Real Estate</td>
</tr>
<tr>
<td>Solaris</td>
<td>Opole</td>
<td>18,000</td>
<td>45</td>
<td>Rock Castle</td>
</tr>
</tbody>
</table>

Source: BNP Paribas Real Estate
Definitions

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.

**Warsaw agglomeration includes:** Warsaw, Brwinów, Konstancin-Jeziorna, Łomianki, Marki, Piaseczno, Piastów, Podkowa Leśna, Raszyn, Błonie, Grodzisk Mazowiecki, Józefów, Kobyłka, Legionowo, Milandów, Otwock, Ożarów Mazowiecki, Pruszków, Radzymin, Sulejówek, Wołomin, Żąbki, Zielona Góra, Izabelin, Jabłonna, Lesznowola, Miłosław, Nadarzyn, Nieporęt, Staré Babice, Wiązowna.


**Kraków agglomeration:** Kraków and Niepołomice, Skawina, Wieliczka i Zabierzów, Biskupice, Ictomia - Wawrzeńczyce, Kocmyrzów - Luborzyca, Koniusza, Liske, Michałowiec, Mogilany, Świątniki Górne, Wielka Wieś, Zielonki.

**Tri-City agglomeration:** Gdańsk, Gdynia, Rumia, and Wejherowo, and Pruszcz Gdański, Reda, Sopot, Credy Wielkie, Kolbuszy, Kosakowo, Szemud, Żukowo.

**Łódź agglomeration:** Łódź, Pabianice, Rzgów, Żgierz, Aleksandrów Łódzki, Andrzejów, Brojce, Konstantynów Łódzki, Ksawerów, Nowosolska, Ożarów, Stary, Syców.

**Poznań agglomeration:** Poznań, Swarzędz, Tarnowo Podgórne, Komorniki, Kórnik, Łużnica, Musina, Puszczykowo, Rokitnica, Suchy Las, Czerwonak, Dąbrowa Górnicza, Nowosolska, Ożarów, Kleszczewo.

**Wrocław agglomeration:** Wrocław, Kąty Wrocławskie, and Kobierzyce, Czernica, Długolęka, Miękinia, Orłowo, Śląskie, Siechnice, Wisznia Mała, Żabieniec.

**Szczecin agglomeration:** Szczecin and Kołobrzeg, Dobra, Goleniów, Gryfino, Kobyłka, Police, Słupsk, Szymbark.

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