RETAIL MARKET IN POLAND

In the first quarter of 2018, the modern retail market* in Poland grew by 92,000 sq m of GLA which represents approx. 20% of the total supply expected for the entire year. Until the end of the year the market is forecast to enlarge by an additional 410,000 sq m and thus the modern retail space delivered in 2018 would exceed 500,000 sq m.

SUPPLY

LOWER VOLUME, SMALL MARKETS
Both the limited volume of new supply in 2017 as well as the reduced amount of new space planned by the end of the current year are below the average for the last 10 years, which indicates the shrinking market absorption and upcoming changes in traditional retailing.

In Q1 2018, 92,000 sq m of GLA have been introduced to the market with openings of seven new schemes and completion of the expansion process of two existing schemes. Importantly, 76% of the new supply came in shopping centres located in large metropolitan areas – Gemini Park Tychy in the Katowice conurbation and Rondo Wiatraczna in Warsaw. In cities with a population of up to 100,000 residents, small retail parks have been still being the most popular development pattern as this format perfectly complements the existing offer and fits well with expectations of local consumers and operators looking for possible expansion of their market presence.

At the end of the first quarter, total stock of modern retail space in Poland exceeded 14.3 million sq m, of which 73% fell on traditional shopping centres.

DEMAND

MARKET CHANGES POSE NEW CHALLENGES
At the end of December 2017, the vacancy rate in the shopping centre sector amounted to 4%, what is a slight drop, by 0.1 p.p. compared on H1 2017. It is still the value higher than 3.5%, reported 12 month ago. In the short-term perspective a significant improvement in the vacancy rate is expected due to announced introduction of new operators to locations previously occupied by the Praktiker chain stores.

Ban on Sunday trading, e-commerce growth, increasing competition in the sector and evolving shopping behaviour of the generation of young consumers, all the factors combined together will result if further differentiation between the vacancy rates in well-established retail destinations and lower-class schemes. Among the eight major agglomerations the highest availability of vacant space is observed in Katowice, Poznań and Kraków, when the lowest is noted in Warsaw, Wrocław and Szczecin.

RENTS

STILL STABLE, AN AFTERMATH OF THE BAN ON SUNDAY TRADING AWAITED
Leading shopping centres with a dominant market position retain prime rents within the range of 110-130 € / sq m / month in Warsaw and between 45€ and 60€ per sq m / month in other main cities. Owners of worse performing retail properties, particularly those suffering from growing competition and declining significance in the market, face the pressure exerted by tenants to lower rents and increase fit-out contributions.

The question that bothers the market of real estate is a potential impact of the Sunday trading ban on the level of visitors, turnover and possible implications for rent charges.

PIPELINE SCHEMES

MAJOR AGGLOMERATIONS AND SMALL MARKETS ON THE RADAR
There are approximately 550,000 sq m of retail space currently under construction, of which 70% is to be delivered by the end of this year. Significantly to the previous years, the vast majority of new space will open in major agglomerations, e.g. Forum Gdańsk (64,000 sq m) in the central area of Gdańsk and Galeria Libero, the first shopping and entertainment centre in the southern part of Katowice. Over the next few quarters cities with a population of up to 100,000 residents will consistently strengthen their position. Approximately 30% of this year’s new supply will be delivered to these markets.

In the next year we should expect a drop in supply resulting from the limited number of large schemes proposed for major cities. In the short-term perspective, it is presumed that the trend of expansions / reconstructions of already existing retail facilities will increase, and may generate up to approximately 20% of new supply.

*Modern retail stock embraces traditional shopping centres, outlet centres, retail parks and retail warehousing facilities.
**MAJOR TRENDS AND CHALLENGES**

**BAN ON SUNDAY TRADING**
The most serious challenge ahead for all parties in the retailing business is the new law effective since 1st March, which imposed limitation on trading on Sundays (so called “ban on Sunday trading”).

**E-COMMERCE**
Although the e-commerce has been steadily growing in value, its negative impact on traditional retailing is to some extend softened by a spectacular increase of retail sales (8.4% in 2017) which was strongly triggered by a falling unemployment rate coupled with raising wages and purchasing power.

**GROWING COMPETITION**
Significant disparities in vacancy rates between well-established retail destinations and lower-class schemes are expected to widen, mostly due to toughening competition and dwindling position of some older assets. The Warsaw market, as the strongest and most balanced, is expected to perform best, while schemes in the markets of increasing competition (e.g. Wrocław, Tri-City, Katowice, Gdańsk) will face higher pressures.

**REMODELLING & REFURBISHMENT**
Remodeling and refurbishment of older schemes, often connected with extensions, will become one of the major triggers of the market development. Better and wider leisure offers, recreation areas for entire families, extensive selection of catering amenities from food court stands to seated restaurants, roof gardens and other leisure facilities have been aimed at luring clientele.

**KEY MACROECONOMIC INDICATORS**

**POLAND**
- Population: 38,433,000
- Unemployment rate: 6.8%
- Purchasing power: € 6,170

**SZCZECIN**
- Population: 557,600
- Unemployment rate: 3.3%
- Purchasing power: € 7,215

**TRICITY**
- Population: 1,042,500
- Unemployment rate: 3.0%
- Purchasing power: € 7,679

**WARSAW**
- Population: 2,596,700
- Unemployment rate: 2.0%
- Purchasing power: € 11,222

**ŁÓDŹ**
- Population: 964,300
- Unemployment rate: 6.5%
- Purchasing power: € 7,181

**UPPER SILESIA**
- Population: 2,138,900
- Unemployment rate: 2.3%
- Purchasing power: € 8,089

**KRAKÓW**
- Population: 1,045,000
- Unemployment rate: 2.7%
- Purchasing power: € 7,337

**POZNAŃ**
- Population: 832,500
- Unemployment rate: 1.5%
- Purchasing power: € 8,163

**WROCŁAW**
- Population: 800,300
- Unemployment rate: 2.2%
- Purchasing power: € 8,225

**LEGEND**
- Population of agglomeration
- Unemployment rate
- Purchasing power (per capita)

1. GUS as of Dec. 2016
2. GUS as of February, 2018
3. GFK Purchasing Power volume per capita, data for the capital of voivodship
AT A GLANCE - RETAIL MARKET IN POLAND - Q1 2018

Macroeconomic Snapshot

Annual GDP growth, %

![Chart showing annual GDP growth from 2004 to 2018 with projections for 2019 and 2020.](chart)

Source: GUS, NBR, f - forecast

Annual Retail Sales growth, %

![Chart showing annual retail sales growth from 2004 to 2018 with projections for 2019 and 2020.](chart)

Source: GUS, Oxford Economics, f - forecast

Vacancy rates in the main cities

<table>
<thead>
<tr>
<th>City</th>
<th>H1 2017</th>
<th>H2 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bielsko - Biala</td>
<td>3%</td>
<td>2%</td>
</tr>
<tr>
<td>Rzeszow</td>
<td>5%</td>
<td>4%</td>
</tr>
<tr>
<td>Cieszyn</td>
<td>6%</td>
<td>5%</td>
</tr>
<tr>
<td>Kielce</td>
<td>7%</td>
<td>6%</td>
</tr>
<tr>
<td>Radom</td>
<td>8%</td>
<td>7%</td>
</tr>
<tr>
<td>Czestochowa</td>
<td>9%</td>
<td>8%</td>
</tr>
<tr>
<td>Bydgoszcz</td>
<td>10%</td>
<td>9%</td>
</tr>
<tr>
<td>Lodz</td>
<td>11%</td>
<td>10%</td>
</tr>
<tr>
<td>Bielsk - Podlaski</td>
<td>12%</td>
<td>11%</td>
</tr>
<tr>
<td>Torun</td>
<td>13%</td>
<td>12%</td>
</tr>
<tr>
<td>Katowice</td>
<td>14%</td>
<td>13%</td>
</tr>
<tr>
<td>Poznan</td>
<td>15%</td>
<td>14%</td>
</tr>
<tr>
<td>Krakow</td>
<td>16%</td>
<td>15%</td>
</tr>
<tr>
<td>Lodz</td>
<td>17%</td>
<td>16%</td>
</tr>
<tr>
<td>Tricity</td>
<td>18%</td>
<td>17%</td>
</tr>
<tr>
<td>Warsaw</td>
<td>19%</td>
<td>18%</td>
</tr>
<tr>
<td>Upper Silesia</td>
<td>20%</td>
<td>19%</td>
</tr>
</tbody>
</table>

Source: PRCH, PRRF

Retail Snapshot

Distribution of Stock by City Size

![Chart showing distribution of stock by city size from 2000 to 2018.](chart)

Source: BNP Paribas Real Estate

Shopping Centre Stock by Format, Q1 2018

![Chart showing shopping centre stock by format.](chart)

Source: BNP Paribas Real Estate

Shopping Centre Supply in 8 Agglomerations, sqm

![Chart showing shopping centre supply in 8 agglomerations.](chart)

Source: BNP Paribas Real Estate

Prime Rental Ranges in 8 Agglomerations, €/sqm/mth

![Chart showing prime rental ranges in 8 agglomerations.](chart)

Source: BNP Paribas Real Estate
### Major retail schemes completions, 2017 - Q1 2018

<table>
<thead>
<tr>
<th>SCHEME</th>
<th>TYPE</th>
<th>LOCATION</th>
<th>POPULATION</th>
<th>DEVELOPER</th>
<th>GLA (SQM)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Galeria Północna</td>
<td>SC</td>
<td>Warsaw Agglomeration</td>
<td>over 400,000</td>
<td>GTC</td>
<td>64,500</td>
</tr>
<tr>
<td>Wroclavia</td>
<td>SC</td>
<td>Wroclaw Agglomeration</td>
<td>over 400,000</td>
<td>Unibail Rodamco</td>
<td>64,000</td>
</tr>
<tr>
<td>Skende Shopping + IKEA</td>
<td>SC</td>
<td>Lublin</td>
<td>200,000-400,000</td>
<td>INTER IKEA</td>
<td>57,500</td>
</tr>
<tr>
<td>Serenada</td>
<td>SC</td>
<td>Kraków Agglomeration</td>
<td>over 400,000</td>
<td>Mayland RE</td>
<td>41,500</td>
</tr>
<tr>
<td>Gemini Park Tychy</td>
<td>SC</td>
<td>Tychy</td>
<td>100,000-200,000</td>
<td>Gemini Holding</td>
<td>36,600</td>
</tr>
<tr>
<td>Vivol Krosno</td>
<td>RP</td>
<td>Krosno</td>
<td>below 100,000</td>
<td>Immofinanz / Acteeum</td>
<td>21,000</td>
</tr>
<tr>
<td>Centrum Galaxy (extension)</td>
<td>SC</td>
<td>Szczecin Agglomeration</td>
<td>over 400,000</td>
<td>EPP</td>
<td>17,000</td>
</tr>
<tr>
<td>Rondo Wiatraczna</td>
<td>SC</td>
<td>Warsaw Agglomeration</td>
<td>over 400,000</td>
<td>Dantex</td>
<td>11,000</td>
</tr>
<tr>
<td>Quick Park</td>
<td>SC</td>
<td>Olawa</td>
<td>below 100,000</td>
<td>Real2B</td>
<td>10,600</td>
</tr>
<tr>
<td>Tarasy Grabiszynskie</td>
<td>SC</td>
<td>Wrocław Agglomeration</td>
<td>over 400,000</td>
<td>Womak</td>
<td>8,500</td>
</tr>
</tbody>
</table>

SC - shopping centre, RP - retail park, OC - outlet centre

Source: BNP Paribas Real Estate

### Major retail schemes under construction (over 20,000 sqm GLA)

<table>
<thead>
<tr>
<th>SCHEME</th>
<th>TYPE</th>
<th>LOCATION</th>
<th>POPULATION</th>
<th>DEVELOPER</th>
<th>PLANNED</th>
<th>GLA (SQM)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Galeria Młociny</td>
<td>SC</td>
<td>Warsaw Agglomeration</td>
<td>over 400,000</td>
<td>EPP</td>
<td>2019</td>
<td>67,000</td>
</tr>
<tr>
<td>Forum Gdańsk</td>
<td>SC</td>
<td>Tri-City Agglomeration</td>
<td>over 400,000</td>
<td>Blackstone / Multi</td>
<td>2018</td>
<td>62,000</td>
</tr>
<tr>
<td>Galeria Libero</td>
<td>SC</td>
<td>Katowice Conurbation</td>
<td>over 400,000</td>
<td>Echo Investment</td>
<td>2018</td>
<td>45,000</td>
</tr>
<tr>
<td>Nowa Stacja Pruszków</td>
<td>SC</td>
<td>Warsaw Agglomeration</td>
<td>over 400,000</td>
<td>ECC Real Estate</td>
<td>2018</td>
<td>27,000</td>
</tr>
<tr>
<td>Color Park</td>
<td>SC</td>
<td>Nowy Targ</td>
<td>below 50,000</td>
<td>Nowotarska Sp. z o.o</td>
<td>2018</td>
<td>25,000</td>
</tr>
<tr>
<td>Stara Ujeżdżalnia</td>
<td>SC</td>
<td>Jarosław</td>
<td>below 50,000</td>
<td>CD Lucum</td>
<td>2018</td>
<td>27,000</td>
</tr>
<tr>
<td>Centrum Janki (extension)</td>
<td>SC</td>
<td>Warsaw Agglomeration</td>
<td>over 400,000</td>
<td>Valad Europe</td>
<td>2018</td>
<td>21,000</td>
</tr>
</tbody>
</table>

SC - shopping centre, RP - retail park, OC - outlet centre

Source: BNP Paribas Real Estate

---

### AUTHOR

Patrycja Dzikowska  
Head of Research & Consultancy Central & Eastern Europe  
patrycja.dzikowska@realestate.bnpparibas

### CONTACTS

Patrick Delcol  
Chief Executive Officer  
Central & Eastern Europe  
patrick.delcol@bnpparibas.com

Natasa Mika  
Head of Retail Leasing Department  
natasa.mika@bnpparibas.com

Fabrice Paumelle  
Head of Retail  
Central & Eastern Europe  
fabrice.paumelle@bnpparibas.com

Mateusz Skubiszewski MRICS  
Director, Capital Markets  
Central & Eastern Europe  
mateusz.skubiszewski@bnpparibas.com

Dr. Piotr Goździewicz MRICS  
Director, Capital Markets  
Central & Eastern Europe  
piotr.gozdziewicz@bnpparibas.com

John Palmer FRICS, SIOR  
Director, Industrial Capital Markets  
Central & Eastern Europe  
john.palmer@bnpparibas.com

Michał Pszkit  
Head of Property Management  
Central & Eastern Europe  
michal.pszkit@bnpparibas.com

---

BNP Paribas Real Estate Poland Sp. z o.o.  
al. Jana Pawła II 25, 00-854 Warsaw, Poland  
Tel. +48 22 653 44 00  
www.realestate.bnpparibas.pl

All rights reserved. At a Glance is protected in its entirety by copyright. No part of this publication may be reproduced, translated, transmitted, or stored in a retrieval system in any form or by any means, without the prior permission in writing of BNP Paribas Real Estate.