Modern retail market in Poland

In the first half of 2019, the modern retail sector in Poland increased by about 225,000 sq m of leasable space, which resulted in the market reaching 14.8 million sq m at the end of June. By the end of 2019, the market may break the threshold of 15 million sq m of GLA, provided there are no significant delays in delivery of the projects under construction at the moment.

NEW SUPPLY

Since 2016, the modern retail sector’s rate of development has been on a clear downturn. Since January this year, the modern retail market has increased by 225,000 sq m and new supply in the whole of 2019 will barely exceed 400,000 sq m to be at its lowest level for the last 20 years. Both the limited volume of new supply and the format and size of projects delivered indicate that the market has already reached maturity.

Just as in 2018, when half of the new space delivered in the format of shopping centres and retail parks were schemes below 15,000 sq m of GLA, we expect to see this trend to continue this year too.

Galeria Mlociny, opened in a northern, densely populated part of Warsaw (76,000 sq m of GLA), is the only large shopping and leisure centre launch this year and is 2019’s biggest event. Galeria Mlociny, with a wide selection of leisure and F&B facilities, including a rooftop leisure zone, is a good example of how to respond to the changing market conditions and clients’ expectations.

In the coming 2–3 years, no new openings of large shopping centres are expected.

In the first half of 2019, extensions of existing retail schemes accounted for almost 20% of new supply. Solaris in Opole, Morski Park Handlowy in Gdańsk and Pogoria in Dąbrowa Górnicza were among those expanded.

STANDING AND DEMAND OF TENANTS

Even though the market situation in Poland should stimulate the good condition and growth of the modern retail sector, the blend of adverse factors raises significant fears in the industry. Extension of the ban on Sunday trading, the steady rise of the e-commerce sector’s popularity and fierce competition on the market are a difficult test for tenants and landlords. In the last three years, the vacancy ratio in shopping centres operating in the main markets has not exceeded 4%.

However, while schemes that are leaders in their category enjoy healthy demand from tenants and are almost fully leased, assets in worse condition face an increase in vacancies.

Among the main urban agglomerations, Warsaw traditionally enjoys the most stable level of tenant demand, while the highest vacancy rates are registered on the most competitive markets.

Despite these visible threats, the Polish market and its prospective growth still attract the attention of foreign retail chains. Famous international brands, such as Urban Outfitters, Monki, WeekDay and the long-awaited Primark, have already announced their debut this year.

The current market situation is very challenging for tenants, even those who have been active in Poland for years. Unfortunately some are not keeping up with the change of climate in the modern retail segment and are facing enormous problems, e.g. New Look and Piotr i Paweł.

RENTAL LEVELS

Prime rents in leading shopping centres are stable and remain in a range of 110–130 € / sq m / month in Warsaw and 45–60 € / sq m / month in the other main urban agglomerations. A much more diversified situation can be seen in lower-class facilities, especially those that suffer from a decline in footfall and turnover due to unfavourable market conditions. As a result, their market position is becoming significantly weaker and the tenants are pressurising for a reduction in rent.

1. Modern retail space includes traditional shopping centres, outlet centres, retail parks and standalone retail warehouses.
2. PRCH applies to cities with a population in excess of 150,000, vacant space in shopping centres, retail parks and outlet centres.
**KEY TRENDS AND CHALLENGES**

**SMALL MARKETS GROW IN IMPORTANCE, LACK OF LARGE PROJECTS**

Both now and on a 36-month horizon, retail markets in cities with populations of up to 100,000 are going to register the fastest growth in stock, with small retail parks and shopping centres (5,000 – 10,000 sq m) being the popular formats.

We cannot see any new supply in the sector of large shopping centres in the medium term perspective.

**EXTENSION, REDEVELOPMENT AND LEISURE OFFER**

Extension and redevelopment have been a strong trend in the last couple of years and will remain so in the coming years. Refreshing the offer and widening the tenant mix with new retail brands, service operators or a leisure element is a strategy for boosting the scheme’s position, applied both by the owners of older facilities and small shopping centres or retail parks, as well as large complexes with an established, leading position, such as Manufaktura. Introducing new functions is also aimed at extending the time spent in the retail scheme and at attracting visitors on Sundays, when trade is banned.

**E-COMMERCE AND THE SUNDAY TRADING BAN CLEARLY POLARISE THE MARKET**

The industry has already been facing the Sunday trading ban for a year. Based on regular analyses conducted by organisations gathering the modern retail market players (PRCH, Retail Institute), it can be concluded that there is a clear polarisation of the market. Large retail complexes with a wide selection of shops and leisure and catering amenities have managed to adapt to new market realities and are not suffering from a downturn in visitors or turnover. Whereas small facilities, especially those without a wide selection of retail brands and leisure and F&B facilities, are losing both footfall and turnover.
Retail Snapshot

Stock and new supply (m²)

Prime rental ranges in main urban agglomerations (€/m²/month)

Distribution of stock by city size

Vacancy rate in the major urban agglomerations

Modern retail stock by format, H1 2019

Shopping centre supply in main urban agglomerations (m²)

Annual retail sales growth (%)

Annual GDP growth (%)

Source: BNP Paribas Real Estate

Source: BNP Paribas Real Estate

Source: PRCH

Source: BNP Paribas Real Estate

Source: BNP Paribas Real Estate

Source: BNP Paribas Real Estate

Source: GUS, Oxford Economics, f – forecast

Source: GUS, NBP, f – forecast
## Major retail schemes completions, 2017 – H1 2019

<table>
<thead>
<tr>
<th>SCHEME</th>
<th>TYPE</th>
<th>LOCATION</th>
<th>POPULATION (IN K)</th>
<th>DEVELOPER</th>
<th>GLA (SQ M)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Galeria Młociny</td>
<td>SC</td>
<td>Warsaw Agglomeration</td>
<td>over 400</td>
<td>Echo Investment / EPP</td>
<td>76,000</td>
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<tr>
<td>Forum Gdańsk</td>
<td>SC</td>
<td>Tricity Agglomeration</td>
<td>over 400</td>
<td>Multi Poland</td>
<td>62,000</td>
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<tr>
<td>Galeria Libero</td>
<td>SC</td>
<td>Silesia Conurbation</td>
<td>over 400</td>
<td>Echo Investment</td>
<td>42,000</td>
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<tr>
<td>Gemini Park</td>
<td>SC</td>
<td>Silesia Conurbation</td>
<td>over 400</td>
<td>Gemini Holding</td>
<td>36,600</td>
</tr>
<tr>
<td>Nowa Stacja</td>
<td>SC</td>
<td>Pruszków, Warsaw Agglomeration</td>
<td>over 400</td>
<td>ECC Real Estate</td>
<td>27,000</td>
</tr>
<tr>
<td>Morski Park Handlowy (extension)</td>
<td>RP</td>
<td>Tricity Agglomeration</td>
<td>over 400</td>
<td>Liebrecht &amp; wood</td>
<td>16,500</td>
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<tr>
<td>Silesia Outlet</td>
<td>OC</td>
<td>Silesia Conurbation</td>
<td>over 400</td>
<td>6B47 Real Estate Investors</td>
<td>12,000</td>
</tr>
<tr>
<td>Galeria Hosso</td>
<td>SC</td>
<td>Świebodzin</td>
<td>over 400</td>
<td>Hosso Holding</td>
<td>12,000</td>
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<td>Tkalnia</td>
<td>SC</td>
<td>Pabianice, Łódź Agglomeration</td>
<td>over 400</td>
<td>A&amp;A</td>
<td>12,000</td>
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<tr>
<td>Platan (extension)</td>
<td>SC</td>
<td>Silesia Conurbation</td>
<td>over 400</td>
<td>NEPI Rockcastle</td>
<td>11,700</td>
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</tbody>
</table>

SC – shopping centre, RP – retail park, OC – outlet centre
Source: BNP Paribas Real Estate

## Major retail schemes under construction, H1 2019

<table>
<thead>
<tr>
<th>SCHEME</th>
<th>TYPE</th>
<th>LOCATION</th>
<th>POPULATION (IN K)</th>
<th>DEVELOPER</th>
<th>PLANNED</th>
<th>GLA (SQ M)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Color Park</td>
<td>SC</td>
<td>Nowy Targ</td>
<td>below 50</td>
<td>Nowotorska</td>
<td>2020</td>
<td>28,000</td>
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<tr>
<td>ArtN</td>
<td>SC</td>
<td>Aglomeracja Warszawska</td>
<td>over 400</td>
<td>Capital Park</td>
<td>2021</td>
<td>24,000</td>
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<tr>
<td>Stara Ujeżdżalnia</td>
<td>SC</td>
<td>Jarosław</td>
<td>below 50</td>
<td>CD Locum</td>
<td>2019</td>
<td>23,000</td>
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<td>Dekada</td>
<td>SC</td>
<td>Nysa</td>
<td>below 50</td>
<td>Dekada Realty</td>
<td>2020</td>
<td>19,000</td>
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<tr>
<td>Galeria Chełm</td>
<td>SC</td>
<td>Chełm</td>
<td>50 - 100</td>
<td>Acteem / Equilis</td>
<td>2020</td>
<td>17,500</td>
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<tr>
<td>Focus mall (extension)</td>
<td>SC</td>
<td>Zielona Góra</td>
<td>100 - 200</td>
<td>NEPI Rockcastle</td>
<td>2020</td>
<td>15,000</td>
</tr>
</tbody>
</table>

SC – shopping centre, RP – retail park, OC – outlet centre
Source: BNP Paribas Real Estate

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