



At a glance Q4 2017

RETAIL MARKET IN POLAND

The modern retail market* in 2017 grew by 450,000 sqm of GLA which was the lowest provision for 15 years, sharply below the 10-year average of 663,000 sqm. According to the forecast, 2018 retail delivery will oscillate around a similar figure which indicates a shrinking market capacity and an upcoming upheaval in traditional retailing.



SUPPLY

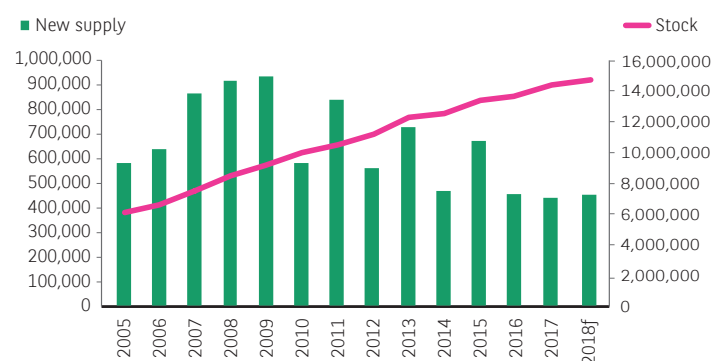
MAJOR AGGLOMERATIONS AND SMALL TOWNS CAPTURE ATTENTION

In 2017, the modern shopping centre sector enlarged by 360,000 sqm of GLA in 13 new projects and ten extensions of existing schemes. The retail warehousing sector brought an additional 88,500 sqm, predominantly in "do-it-yourself", sport equipment, and large furniture & furnishings stores. At the end of 2017, the modern retail market in Poland slightly exceeded 14.2 million sqm of GLA, of which 73% was accumulated in the format of traditional shopping centres.

Nearly 60% of the 2017 supply was completed in the last quarter of 2017, strongly driven by openings of large shopping centres in major agglomerations – Wroclavia (64,000 sqm) in Wrocław, Galeria Północna (64,000 sqm) in Warsaw and Serenada (42,000 sqm) in Kraków. A significant portion of the new stock was delivered to small regional markets, a consequence of the steadily growing importance of these geographies in development strategies of both developers and tenants. At the end of 2017, retail stock located in cities populated by less than 100,000 inhabitants formed 17% of the total modern retail space in Poland, and is expected to grow further.

Approx. 15% of the 2017 new space was delivered in extensions of shopping centres, such as Galaxy in Szczecin, as well as retail parks in small cities such as Karuzela in Turek and Era Park Handlowy in Radomsko.

Stock and New Supply, sqm



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

DEMAND

STRAGGLERS WILL NOT SURVIVE

Around 35 new brands and new retail concepts of established chains launched activities in Poland in 2017. Whilst renowned newcomers chose large, leading shopping centres in the major cities for their first locations (e.g. Hamleys in Galeria Północna in Warsaw, Sfera in Wroclavia in Wrocław and Galeria Mokotów in Warsaw, and Victoria's Secret full-offer boutique in Arkadia in Warsaw), operators of discount stores prefer retail parks in smaller cities (e.g. Action – a Dutch chain of non-food discount stores).

On the other hand, there is a small group of retail operators who have passed up fundamental changes in client needs and shopping patterns and consequently have been forced to optimize their market presence or even to depart from Poland (e.g. Marks & Spencer, Dorothy Perkins, Stenders, Springfield).

RENTS

STABLE PRIME RENTS, AVERAGES ON DECLINE

Prime shopping centres strongly benefit from their leading market position and keep prime rents stable at €110-130 / sqm / month in Warsaw and between €45 and €60 sqm / month in other major agglomerations.

Owners of worse performing retail schemes, particularly those suffering from growing competition and diminishing importance in the market, face escalating pressure from tenants on rents lowering or growing fit-out contributions.

PIPELINE

STEADY SLOWDOWN IN NEW STOCK, REMODELING AND EXTENSIONS MORE PRONOUNCED

At present, 555,000 sqm of GLA is under construction, of which 83% (460,000 sqm) is scheduled for delivery in 2018. As in the previous year, the majority of stock will open in major cities, e.g. Forum Gdańsk (64,000 sqm) in the central area of Gdańsk and Galeria Libero on the southern edge of Katowice. Small towns will again strengthen their offer as nearly 30% of the 2018 new provision will be delivered in cities below 100,000 residents.

2019 is expected to close up at a lower figure, due to a shortage of large retail project deliveries in the major cities. In the short-term perspective, extensions are expected to intensify and bring around 20% of new retail stock.

*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 imposing critical limitations on trading on Sundays (so called "ban on Sunday trading"), which will become effective from 1st of March 2018.



E-COMMERCE

Although the e-commerce has been steadily growing in value, its negative impact on traditional retailing is to some extent softened by a spectacular 7.3% y-o-y increase of retail sales which was strongly triggered by a falling unemployment rate coupled with raising wages and purchasing power.



INCREASING 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.



REMODELING & REFURBISHMENT

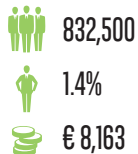
Remodeling and refurbishment of older schemes, often connected with extensions, will become one of the major triggers of the market development. Better and wider leisure offers, recreation areas for entire families, extensive selection of catering amenities from food court stands to seated restaurants,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

KEY MACROECONOMIC INDICATORS

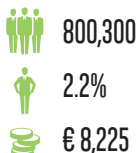
POLAND



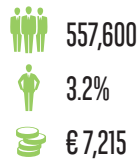
POZNAŃ



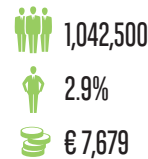
WROCŁAW



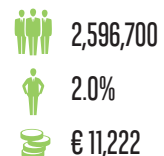
SZCZECIN



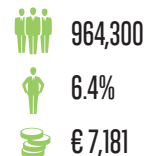
TRI-CITY



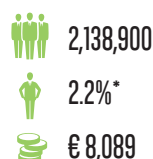
WARSAW



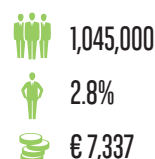
ŁÓDŹ



UPPER SILESIA



KRAKÓW



LEGEND

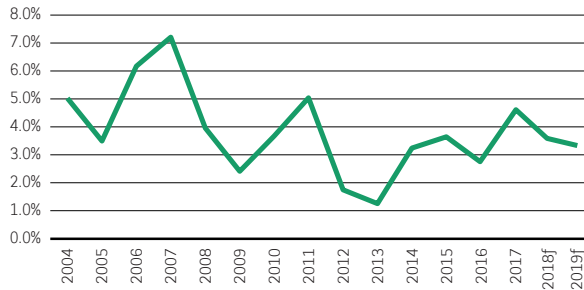


MAJOR NATIONAL ROADS
HIGHWAYS:
 — EXISTING
 — UNDER CONSTRUCTION
 — PLANNED
EXPRESS ROADS:
 — EXISTING
 — UNDER CONSTRUCTION
 — PLANNED

1. GUS as of Dec. 2016, 2. GUS as of Dec 30, 2017, data for the capital of voivodship, 3. GfK Purchasing Power volume per capita, data for the capital of voivodship

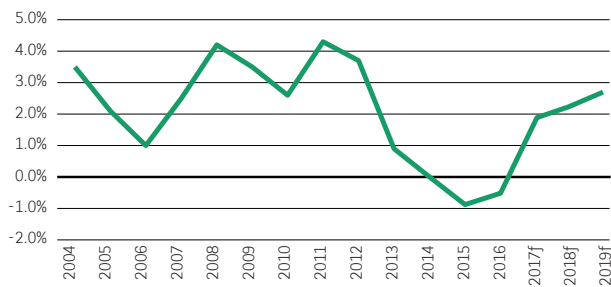
Macroeconomic Snapshot

Annual GDP growth, %



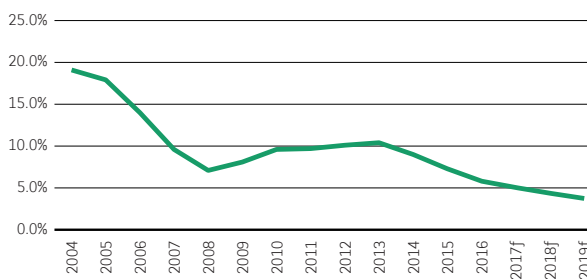
Source: GUS, NBP, f - forecast

Annual CPI, %



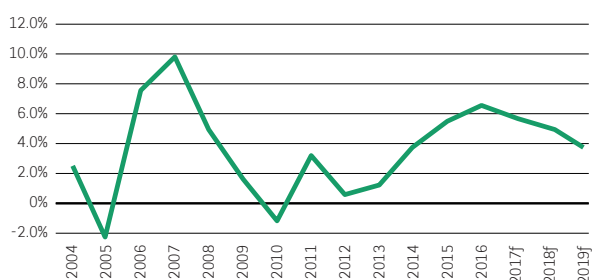
Source: GUS, NBP, f - forecast

Unemployment Rate, %



Source: BNP Bank, Oxford Economics, f - forecast

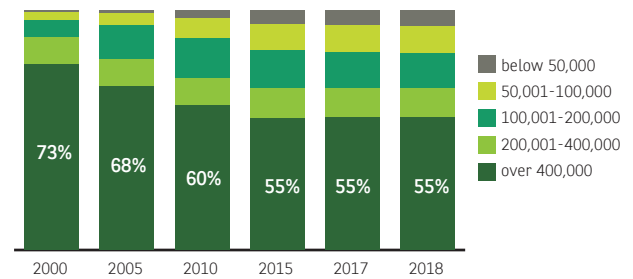
Annual Retail Sales growth, %



Source: GUS, Oxford Economics, f - forecast

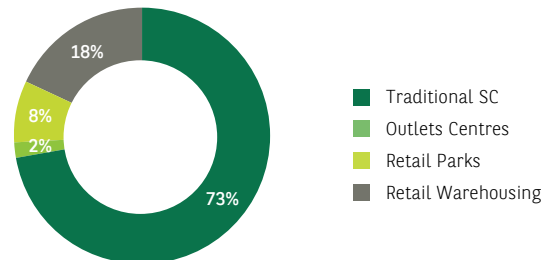
Retail Snapshot

Distribution of Stock by City Size



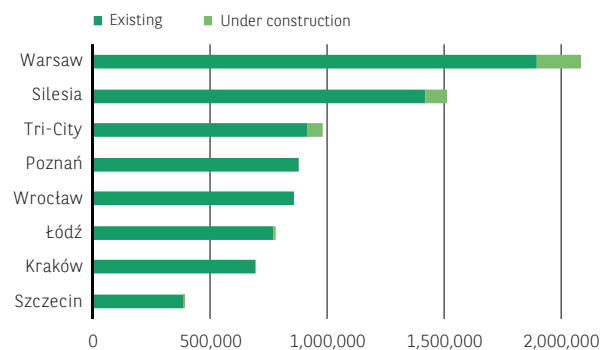
Source: BNP Paribas Real Estate,

Shopping Centre Stock by Format, Q4 2017



Source: BNP Paribas Real Estate

Shopping Centre Supply in 8 Agglomerations, sqm



Source: BNP Paribas Real Estate

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



Source: BNP Paribas Real Estate

Major retail schemes completions, 2017

SCHEME	TYPE	LOCATION	POPULATION	DEVELOPER	GLA (SQM)
Galeria Północna	SC	Warsaw Agglomeration	over 400,000	GTC	64,500
Wroclavia	SC	Wrocław Agglomeration	over 400,000	Unibail Rodamco	64,000
Skende Shopping + IKEA	SC	Lublin	200-400	INTER Ikea	57,500
Serenada	SC	Kraków Agglomeration	over 400,000	Mayland RE	41,500
Vivo! Krosno	RP	Krosno	<100,000	Immofinanz / Acteeum	21,000
Centrum Galaxy (extension)	SC	Szczecin Agglomeration	over 400,000	EPP	17,000
Quick Park	SC	Oława	<100,000	Real2B	10,600
Tarasy Grabiszyńskie	SC	Wrocław Agglomeration	over 400,000	Womak	8,500
Park Handlowy Kalinka	SC	Kalisz	<100,000	Antan Development	7,900
Centrum Franowo	SC	Poznań Agglomeration	over 400,000	Inter IKEA	7,500

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

Source: BNP Paribas Real Estate

Major retail schemes in the pipeline (over 20,000 sqm GLA)

SCHEME	TYPE	LOCATION	POPULATION	DEVELOPER	PLANNED	GLA (SQM)
Galeria Młociny	SC	Warsaw Agglomeration	over 400,000	EPP	2019	67,000
Forum Gdańsk	SC	Tri-City Agglomeration	over 400,000	Blackstone / Multi	2018	62,000
Galeria Libero	SC	Katowice Conurbation	over 400,000	Echo Investment	2018	45,000
Gemini Park	SC	Katowice Conurbation	over 400,000	Gemini Holding	2018	36,000
Color Park	SC	Nowy Targ	below 50,000	Nowotarska Sp. z o.o	2018	27,000
Nowa Stacja	SC	Warsaw Agglomeration	over 400,000	ECC Real Estate	2018	27,000
Centrum Janki (extension)	SC	Warsaw Agglomeration	over 400,000	Valad Europe	2018	21,000

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

Source: BNP Paribas Real Estate

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