

Retail market

General overview

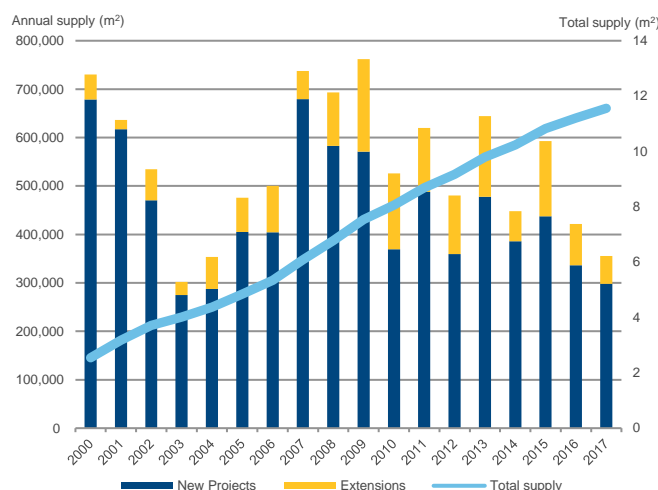
- > At the end of 2017, the total stock of modern shopping centre space in Poland reached approximately 11.5 million m². Among retail formats, traditional shopping centres still dominate (88%).
- > The retail space density ratio increased in Poland to 301 m²/1,000 inhabitants. Among the eight major Polish agglomerations, the highest level of this ratio was noted in Wrocław (906 m²/1,000 inhabitants), while among regional cities Lublin recorded the highest level (1,128 m²/1,000 inhabitants).
- > Retail supply is still decreasing. During the past year, almost 360,000 m² of new retail space was delivered to the market, which is approximately 15% less than in 2016.
- > Extensions of existing schemes constituted about 16% of new supply – a decrease by 4 p.p. compared to last year. The largest changes were related to the extension of the Galaxy shopping centre in Szczecin by approximately 17,000 m², which made it the largest retail object functioning in the agglomeration. Moreover, IKEA Franowo Retail Park in Poznań was extended by approximately 7,500 m² – the supermarket Piotr i Paweł operates in new retail area.
- > In 2017, most newly opened retail space was delivered in the eight largest agglomerations (over 65% of completions), which is an increase by approximately 8 p.p. compared to last year. However, approximately 18% of modern retail space was completed in cities with 200,000-400,000 inhabitants.
- > Thirteen new shopping centres were opened last year. Most retail investments delivered to the market were large projects (over 40,000 m² GLA).

Main retail schemes completed in 2017

City	Project	Developer	Leased area (m ²)
Warsaw	Galeria Północna	GTC	64,000
Wrocław	Wroclavia	Unibail-Rodamco	64,000
Lublin	IKEA Skende Shopping	IKEA Centres	57,500
Kraków	Serenada	Mayland Real Estate	42,000

Source: Colliers International

Evolution of retail stock in 2000-2017



Source: Colliers International

- > In 2017, brands such as Zarina, BeFree, Love Republic, Hamleys, Max Burger, Sfera, Blue Frog, Wrap me, Goldi, Action, Sawren, Alpine Pro, Verle Küchen & Siemens, Fabryka Pizzy, Bio Family, Tefal Home & Cook and Mole Mole debuted in Poland. E-obuwie (footwear) opened its first regular store (Zielona Góra). On the other hand, Kipling, Stenders and Matras decided to withdraw from the Polish market.
- > The Polish e-commerce market is one of the fastest growing in Europe. This is confirmed by investments from companies such as Zalando and Amazon or the purchase of the Allegro Group for a record USD 3.25 billion by investment funds Mid Europa Partners, Permira and Cinve. In addition, Chinese online commerce giant Aliexpress signed an agreement with PayU, thanks to which it will be easier for Polish consumers to pay for purchases on the website.

- > Many retail chains are improving the standard of service and expanding shopping and payment functions. For example, the French hypermarket chain Auchan has launched a new mobile application (My Auchan), while health & beauty chain Rossmann has launched in 2017 a new program of benefits for regular customers.
- > Sales of food retail chains are still taking place – the Polish brand Stokrotka was bought by Lithuanian investor Maxima Grupe UAB.

Selected lease transactions announced in 2017

Tenant	Sector	Area (m ²)	Location
P&C	fashion	4,000	Wroclavia
Zara	fashion	3,500	Vivo!, Krosno
Van Graaf	fashion	3,250	Serenada
Carrefour	supermarket	4,000	Focus, Piotrków Trybunalski
Helios	entertainment and leisure	3,260	Promenada
Carrefour	supermarket	3,000	Ikea, Zabrze
Intermarche	supermarket	2,610	Galeria Młociny
Tk Maxx	fashion	2,400	Atrium Biała
PSB Mrówka	DIY	2,270	Marywilska 44 RP
Masters Bowling&Bilard	entertainment and leisure	2,200	Tarasy Zamkowe
Carrefour	supermarket	2,200	Galeria Olimp
CityFit	fitness	2,050	AKS Chorzów

Source: Colliers International

- > A particularly important event of the past year in the retail market was the introduction of regulations gradually limiting trade on Sundays until the total ban in 2020.
- > The vacancy rate in Poland amounted to approximately 4% at the end of 2017. Among main agglomerations its highest level was noted in Upper Silesia (5,8%), while the lowest was in Szczecin (2,8%). In terms of regional cities, the highest amount of available space was recorded in Radom and Częstochowa and the lowest in Toruń and Kielce.
- > The highest level of prime rents for retail space located in the best shopping centres was observed in Warsaw (115 - 120 EUR/m²/month). In the remaining markets, prime rents were in the range EUR 35 - 42/m²/month.

Average vacancy rates in shopping centres



Source: Colliers International based on PRFF

Retail markets in major Polish agglomerations

- > Warsaw – still the biggest and most competitive retail market in Poland. At the end of 2017, the total stock of modern retail space reached approximately 1.5 million m² (47 schemes), with a density ratio of 598 m²/1,000 inhabitants. One new shopping centre – Galeria Północna, two retail parks – Marywilska 44 and II phase of Galeria Wołomin were delivered to the market in Warsaw and another (Arkadia) extended its area, which constituted over 81,000 m² GLA of modern retail space. Currently, approximately 167,000 m² GLA is under construction, including Galeria Młociny (75,000 m² GLA) and Nowa Stacja Pruszków (27,000 m² GLA). The vacancy rate at the end of December 2017 was 2,9% and prime rental rates for 100-150 m² premises for the fashion sector stood at EUR 115 - 120/m²/month.
- > Kraków – construction of Mayland Real Estate project Serenada (42,000 m² GLA) was completed last year. In 2017, total stock amounted to 590,000 m² (16 schemes) and the density ratio was 565 m²/1,000 inhabitants. The vacancy rate at the end of December 2017 was 5% and prime rental rates slightly decreased to the level of EUR 41 - 43/m²/month.
- > Łódź – during 2017, the situation in the Łódź retail market did not change compared to 2015 and 2016. The total stock in the city amounted to 554,000 m² at the end of the year (16 schemes), while the density ratio reached 571 m²/1,000 inhabitants. There were no openings in 2017. Currently, no new retail investments are under construction. The vacancy rate at the end of December 2017 was at 4,5% and prime rental rates (EUR 35 - 37/m²/month) showed a slight downward trend.

- > Wrocław – the most saturated market among the eight major Polish agglomerations (906 m²/1,000 inhabitants). The stock of modern retail space in Wrocław is at the level of 727,000 m² (located within 20 schemes). In the last year, two shopping centres – Wroclavia (64,000 m² GLA) and Tarasy Grabiszyńskie (8,500 m² GLA) were delivered to the market. Currently, no new retail investments are under construction. At the end of December 2017, the vacancy rate was 2,9%. Despite market competition, prime rental rates were stable at the level of EUR 41 - 43/m²/month.
- > Poznań – the total retail stock in Poznań increased to 720,000 m² (21 schemes) due to the extension of the IKEA Franowo retail park. Last year, the ETC Swarzędz shopping centre underwent a thorough refurbishment – the communication system was improved, foodcourt and relax zones were created for clients. The retail space density ratio is at a high level – 862 m²/1,000 inhabitants. Currently, no new retail investments are under construction. The vacancy rate was 5,3% and rental rates were stable, in the range of EUR 40 - 42/m²/month.
- > Szczecin – the smallest (304,000 m², 11 schemes) retail market among the eight major Polish agglomerations. Due to the expansion of the Galaxy shopping centre by 17,000 m² and Outlet Park by 7,300 m², the density ratio increased to 546 m²/1,000 inhabitants compared to 2016. Currently, no new retail investments are under construction. The vacancy rate is at 2,8%. Prime rental rates were at EUR 35 - 37/m²/month and decreased slightly.
- > Tricity – the third biggest retail market in Poland in terms of size 747,000 m² (27 schemes) with a density ratio of 717 m²/1,000 inhabitants. In the past year in Gdańsk, furniture store Agata delivered 15,000 m² to the market in Rumia. Moreover, Auchan in Gdańsk was both extended and modernised (above 5,000 m²). Forum Gdańsk (62,000 m²) and the next phase of Morski Retail Park are currently under construction. The vacancy rate at the end of December 2017 was at 4% and prime rental rates remained at the level of EUR 39 - 41/m²/month.
- > Upper Silesia – this market is the second biggest retail market in Poland after Warsaw and offers 45 shopping centres totaling 1.1 million m² of leasable space. The density ratio stands at 525 m²/1,000 inhabitants. In 2017, no retail investments were delivered to the market. A further three projects, including Galeria Libero in Katowice (42,000 m²), Gemini Park Tychy (36,000 m²) and Vendo Park in Dąbrowa Górnicza, and the extension of the Platan shopping centre (11,000 m²), are planned to be delivered to the market in 2018. The vacancy rate was at 5,8% and prime rental rates were at the level of EUR 41 - 43/m²/month, showing a slight downward trend.

Prognosis

- > At the end of December 2017 in Poland, approximately 580,000 m² of modern retail space remained under construction. Construction of Galeria Młociny in Warsaw (75,000 m²), Forum in Gdańsk (62,000 m²) and Galeria Libero in Katowice (42,000 m²) are still in progress.
- > It is estimated that new supply in 2018 will be slightly higher than last year, due to the planned completion of several large retail investments and extensions of existing shopping centres. If there are no delays, approximately 450,000 m² GLA in shopping centres will be delivered to the market.

Main retail schemes due to be delivered in 2018

City	Project	Developer	Leased area (m ²)
Gdańsk	Forum	Multi Development	62,000
Katowice	Galeria Libero	Echo Investment	45,000
Tychy	Gemini Park	Gemini Holdings	36,000
Nowy Targ	Color Park	Nowatorska Sp. z o.o.	27,000
Pruszków	Nowa Stacja	ECC Real Estate	27,000

Source: Colliers International

- > However, mixed-use projects are being built in the commercial market, for example ArtN, EC Powiśle, Browary Warszawskie, Bohema and Centrum Praskie Koneser, where significant parts will be intended for retail space.
- > Vacancy rates should remain stable - approximately 5% across the eight major Polish retail markets.
- > We do not expect significant changes in the level of rental rates in retail properties in the largest Polish agglomerations. Slight drops may be observed in cities with a high density ratio and in certain old schemes.

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2,3 billion €

revenue in 2016

170 million m²

space under management

15,000

employees

Colliers International

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