

POLAND

Retail Market Snapshot

Third Quarter | 2019



MARKET INDICATORS

Market Outlook

Prime Rents:	Prime shopping centre rents remain flat. Secondary shopping centres with a limited retail offer or in less successful locations are experiencing an increasing downward pressure on rents.	►
Prime Yields:	4.50% Warsaw prime, 5.25-6.00% for the regional shopping centres. In the third quarter of 2019, retail investment volume continued to grow compared to the previous periods and reached nearly EUR 500 million.	►
Supply:	Only 45,000 sqm of new retail space delivered in Q3 2019. However, this year's total retail supply is expected to be on a par with last year's volume (ca. 430,000 sqm).	►
Demand:	Expected continuation of interest of investors in the segment of small "convenience-like" shopping centres and retail parks however at a low level in medium term.	►

Prime Retail Rents – September 2019

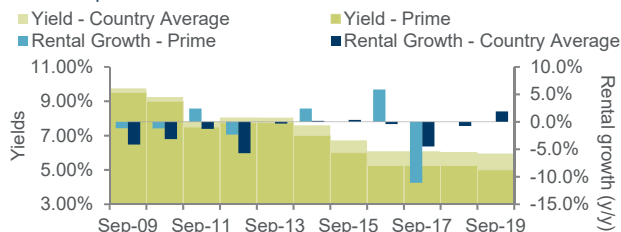
HIGH STREET SHOPS	€	€	US\$	GROWTH %	
	SQ.M MTH	SQ.M YR	SQ.FT YR	1YR	5YR CAGR
Warsaw	80.0	960	100.7	0.0	-1.2
Krakow	75.0	900	94.4	0.0	0.0
Katowice	45.0	540	56.6	0.0	-3.2
Poznan	50.0	600	62.9	0.0	-1.9
Lodz	27.0	324	34.0	8.0	0.8
Wroclaw	40.0	480	50.3	0.0	0.0

Prime Retail Yields – September 2019

HIGH STREET SHOPS (FIGURES ARE GROSS, %)	CURRENT	LAST	LAST	10 YEAR	
	Q	Q	Y	HIGH	LOW
Warsaw	5.00	5.00	5.25	9.25	5.00
Krakow	5.75	5.75	5.75	9.50	5.75
Katowice	6.75	6.75	6.75	9.75	6.75
Poznan	6.75	6.75	6.75	9.75	6.75
Lodz	6.75	6.75	6.75	9.75	6.75
Wroclaw	6.75	6.75	6.75	9.75	6.75
OUT OF TOWN RETAIL (STAND ALONE RW UNITS) (FIGURES ARE GROSS, %)	CURRENT	LAST	LAST	10 YEAR	
	Q	Q	Y	HIGH	LOW
Country prime	7.00	7.00	7.00	8.25	7.00
SHOPPING CENTRES (FIGURES ARE GROSS, %)	CURRENT	LAST	LAST	10 YEAR	
	Q	Q	Y	HIGH	LOW
Country prime	4.50	4.50	4.50	7.50	4.25

With respect to the yield data provided, in light of the changing nature of the market and the costs implicit in any transaction, such as financing, these are very much a guide only to indicate the approximate trend and direction of prime initial yield levels and should not be used as a comparable for any particular property or transaction without regard to the specifics of the property.

Recent performance



Overview

Poland's GDP growth rate is forecasted to reach 4.3% in 2019 mainly driven by expanding domestic consumption and a rebound in investment. The third quarter of 2019 saw only ca. 50,000 sqm of new retail space delivered in two new retail schemes: Stara Ujeżdźnia shopping centre (25,000 sqm) in Jarosław in south-eastern part of Poland and N-Park retail park (5,300 sqm) opened in Wrocław. Additionally, several retail schemes were extended. Among the largest extensions were Centrum Janki shopping centre (Warsaw agglomeration) by almost 12,000 sqm and Galeria Słowiańska in Zgorzelec by 3,000 sqm. The increasing market saturation in key metropolitan areas and changing shopping habits and consumer expectations are having a knock-on effect on the retail supply that will be dominated in coming years by small convenience shopping centres, retail parks and mixed-use schemes. Remodeled retail schemes are also expected to account for a significant proportion of the new supply.

Occupier focus

Poland is still being targeted by global brands looking for expansion opportunities. Around ten new brands entered the Polish market in the first three quarters of this year. Prime shopping centre rents remain flat. Warsaw retains the top spot with prime rents for a 100 sqm unit in its best-in-class shopping centres at EUR 100–130 per sqm a month. Rents are lower in other major cities, around EUR 35–50 per sqm a month for similar units. Secondary shopping centres with a limited retail offer or in less successful locations are experiencing increasing downward pressure on rents.

Investment focus

In Q3 2019, retail investment volume continued to grow compared to the previous periods and reached nearly EUR 500 million (nearly 35% of total volume). The largest transaction was the acquisition of Atrium Koszalin and Felicity Lublin by ECE for nearly EUR 298 million. The second largest deal was the disposal of 5 stores of Makro Cash & Carry under sale & lease back structure for ca. EUR 130 million to FLE. Due to the undeniable advantages of sale & lease back for the vendors and the buyers, it is expected that this transaction form can become more popular in the nearest future.

Outlook

The retail market's growth is set to decelerate in the next few years, largely due to the dearth of large and very large projects under construction. But in the future, new retail supply might be pushed up considerably by two projects in the pipeline in Warsaw: the Góraszka shopping and entertainment centre and the Towarowa 22 mixed-use development. Strong growth is also expected in smaller cities and in the small shopping centre and retail park segments. Increasing market saturation, changing customer needs and expectations, and the rapid growth of e-commerce are expected to be key drivers shaping the retail real estate sector in the near future. An optimum tenant-mix with a diverse offer and unique functions is required to enable a shopping centre to stand out against competition and so are architectural and fit-out upgrades to guarantee an exciting and enjoyable experience. Other critical factors include credibility, an appropriate strategy of communication and deepening customer relationships, and high-quality customer service, which is the last but the most important link in customer communication.

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