

€46,935

Av. HH Pers. Disp. Income

YoY Chg



12-Mo. Forecast



285

SC Density; sqm/1,000 inh.



5.00%

Prime Yield



Source: Oxford Economics, PPP, current prices; Cushman & Wakefield

ECONOMIC INDICATORS Q2 2020

-3.5%

GDP

YoY Chg



12-Mo. Forecast



6.1%

Unemployment Rate



-4.8%

Consumer Spending



-1.78%

Retail Sales



Source: Oxford Economics, annual growth; Main Statistical Office

Almost 90,000 sqm of new retail space was delivered; small and medium-sized schemes dominated

Almost 90,000 sqm of retail space was delivered to the Polish market in all formats in Q2 2020. In total, new supply in H1 2020 amounted to 165,000 sqm, of which almost 40% were opened in cities with populations below 100,000. The maturity and saturation of the retail market also affected the size of the newly delivered schemes, none of which exceeded 20,000 sqm of retail space. Meanwhile, following Tesco's restructuring and the takeover of its assets by the Sallin Group (the owner of Netto) announced in June, three small older generation shopping centers were withdrawn from the market in H1 2020. Additionally, at the end of June, the Łódź shopping center Sukcesja, which has been struggling with problems for a longer time, ceased operating. The pandemic affects the Polish retail market, accelerating the changes that were in evidence prior to the start of year.

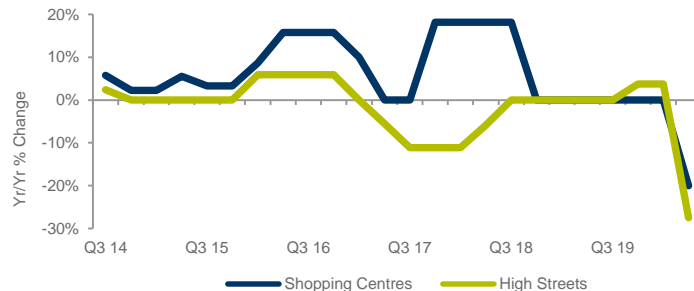
Half of the development pipeline will be delivered in smaller cities

Over 420,000 sqm of retail space is currently under construction with an opening date scheduled for 2020-2021. The largest projects in the pipeline are: mixed-use scheme Fabryka Norblina (26,000 sqm of retail space) in Warsaw, Karuzela shopping centre (25 000 sqm) in Kołobrzeg and Color Park shopping centre (25,000 sqm) in Nowy Targ. Half of the retail space currently under construction will be delivered to the markets of smaller cities with populations below 100,000. Small convenience shopping centres and small retail parks will continue to complement the existing retail supply. The average size of all currently constructed retail schemes is 12,000 sqm. The pandemic can also speed up the decision to redevelop, modernize or re-purpose those shopping centers that were struggling with problems even before the outbreak.

Tenants expect temporary rent reductions of around 20% for units in shopping centers

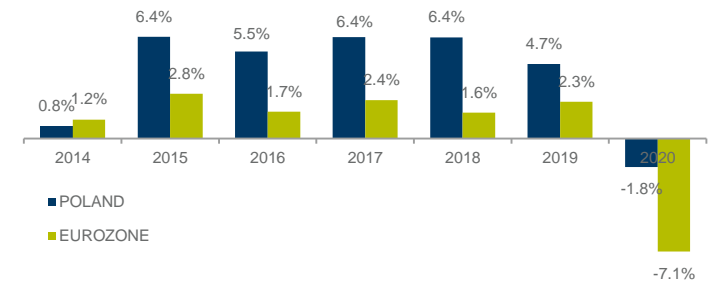
Prior to the outbreak of the COVID-19 pandemic, prime rents in the best shopping centres remained stable, with a slight upward trend. Warsaw retained the top spot with prime rents for a 100 sqm unit in its best-in-class shopping centres at EUR 120-130 /sqm/month. Rents were lower in other major cities and stood at EUR 40-52 /sqm/month for similar units. Due to the pandemic outbreak, many tenants of shopping centers renegotiated the terms of their leases, also showing greater caution when concluding long-term leases. The first signals from the market indicate that tenants expect temporary (until the end of 2020) reductions in rents of approx. 20% for premises in shopping centers, which is associated with the extension of leases by 12-18 months on average.

PRIME RENT



Source: Cushman & Wakefield

RETAIL SALES Y/Y GROWTH



Source: Oxford Economics

Footfall in shopping centers is currently at around 80% of last year's volume

According to data from PRCH (Polish Council of Shopping Centres), footfall in shopping centres has been systematically growing since May 4 (when shopping centres re-opened), and in the week July 13-19, it reached 80-87% of last year's volume. Slightly (several percent points) higher figures are noticed in small and medium-sized shopping centers when compared to large and very large schemes.

The first turnover data (PRCH Turnover Index) shows that sales in May 2020 were lower by 33% year on year in large shopping centres (over 40,000 sqm) and by 26% in smaller schemes (below 40,000 sqm). The largest drop in turnover compared to the previous year was recorded in the "entertainment" category -97% and "services" -86%. The loss of turnover in the "food & beverage" category was -60%. Smaller decreases were recorded by tenants in "fashion" -38%, "health and beauty" -32% and "food" categories -14%. Tenants in the "home and interior" category recorded a 3% increase in turnover year on year.

MAJOR NEW RETAIL OPENINGS IN H1 2020

SCHEME / CITY	FORMAT	DEVELOPER	GLA (SQM)	OPENING DATE
Elektrownia Powiśle / Warszawa	Mixed-use	White Star Real Estate / Tristan Capital Partners	18,000	Q2 2020
Galeria Chelm / Chelm	Shopping centre	Acteum Group	17,500	Q1 2020
Stop Shop / Siedlce	Retail park	Immofinanz	14,100	Q1 2020
Rondo Hakena Park / Szczecin	Retail park	DNHS Poland	10,500	Q2 2020
Kujawia Park / Włocławek	Retail park	Omega Investments, Rank Progress	10,500	Q1 2020
Galeria Kupiecka / Otwock	Shopping centre	Wot Invest	10,000	Q1 2020
Park Handlowy Mieszka / Szczecin	Retail park	J.P. Development	10,000	Q2 2020

Source: Cushman & Wakefield

MAJOR SCHEMES UNDER CONSTRUCTION AND SCHEDULED FOR OPENING IN 2020-2021

SCHEME / CITY	FORMAT	DEVELOPER	GLA (SQM)	OPENING DATE
Fabryka Norblina / Warszawa	Mixed-use	Capital Park	26,000	2021
Karuzela Kołobrzeg / Kołobrzeg	Shopping centre	Karuzela Holding	25,000	2021
Color Park / Nowy Targ	Shopping centre	Nowotarska Sp. z o.o.	25,000	Q4 2020
Galeria Bawelinianka / Bełchatów	Shopping centre	GBB Invest	23,000	2021
Galeria Wiślanka / Żory	Shopping centre	BŁYSK Investment Group	20,000	Q4 2020
Karuzela Elk / Elk	Retail park	Karuzela Holding	16,000	Q4 2020
Galeria Wieliczka / Wieliczka	Shopping centre	Soray Park	16,000	2021

Source: Cushman & Wakefield

Share of Internet sales decreased from 9.1% in May to 7.7% in June

Since the re-opening of shopping centers in May, a systematic decline in the share of online sales has been noted. In June it amounted to 7.7%, while a month earlier it was 9.1%, and before the pandemic it was within 5-6%. The decrease was shown, among others, by companies classified in the group of "textiles, clothing, footwear" (from 26.8% in May to 19.5% in June), as well as entities from the group "press, books, other sales in specialized stores" (from 25.2% to 21.8%) and "furniture, radio, household appliances" (from 15.6% to 14.1%).

Total retail sales in June 2020 were lower by 1.3% year on year (compared to an increase by 3.7% in June 2019). However, compared to May 2020, there was an increase in overall retail sales by 8.4%.

MARKET STATISTICS

SUBMARKET	SHOPPING CENTRE STOCK (SQM)	SHOPPING CENTRE PIPELINE (UNDER CONSTRUCTION; SQM)	SC DENSITY (SQM/1,000 INH.)	PRIME YIELD
Warsaw City Centre	1,435,347	0	559	5.00%
Warsaw Out of Town				5.40%
Katowice	1,157,993	0	521	5.50%
Poznań	702,754	0	856	5.70%
Wrocław	692,006	10,000	865	5.60%
Gdańsk	678,193	0	656	5.70%
Kraków	565,894	16,000	547	5.50%
Łódź	516,955	0	552	5.60%
Szczecin	263,286	0	473	6.20%

Source: Cushman & Wakefield

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