

**€46,026**

Av. HH Pers. Disp. Income

YoY Chg



12-Mo. Forecast



**282**

SC Density; sqm/1,000 inh.



**5.15%**

Prime Yield



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

### ECONOMIC INDICATORS Q3 2020

**-3.0%**

GDP

YoY Chg



12-Mo. Forecast



**5.9%**

Unemployment Rate



**-1.71%**

Consumer Spending



**0.62%**

Retail Sales



Source: Oxford Economics, annual growth; Main Statistical Office

### New retail space supply hits 34,000 sqm in Q3 2020; the focus is on small retail parks and convenience centres

In Q3 2020, Poland's retail stock expanded by 34,000 sqm across all retail formats. New supply included three new openings: Vendo Park in Częstochowa (8,200 sqm), Atut Express in Wieliczka (5,000 sqm) and Castorama in Nowy Sącz (10,200 sqm). Additionally, extensions were completed on two schemes: the Retail Park in Babice Nowe (6,500 sqm added) and Galeria Portius in Krosno (4,000 sqm added). Small retail parks and convenience centres are growing across Poland at a rapid pace and the recent pandemic months have brought out the advantages of such schemes more than ever before.

As retail continues to evolve and large-format food retailers continue to face challenges, shopping centres anchored by hypermarkets have been experiencing major changes for more than a year. In Q3 2020, Tesco closed two of its stores (in Łódź and Mielec) while Auchan closed four (in Dąbrowa Górnicza, Grudziądz, Lubin, and Mysłowice).

### Convenience centres and small retail parks remain on the rise

Approximately 360,000 sqm of retail space is currently under construction and scheduled for delivery in 2020-2021. The largest projects underway include the mixed-use complex Fabryka Norblina in Warsaw (26,000 sqm of retail floorspace), the Karuzela shopping centre in Kołobrzeg (25,000 sqm) and Galeria Wiślanka in Żory (20,000 sqm). More than half of the development pipeline will be delivered in smaller cities with a population below 100,000. Convenience centres and small retail parks will continue to be added to the existing retail stock.

### Lease renegotiations and optimisation of retail chains amid a marginal uptick in the vacancy rate

Many tenants renegotiated the conditions of their leases before the autumn increase in infections, demanding rent discounts of 20% on average. Tenants are also exhibiting a lot of caution with regard to making long-term commitments, opting instead for short-term leases for pop-up stores.

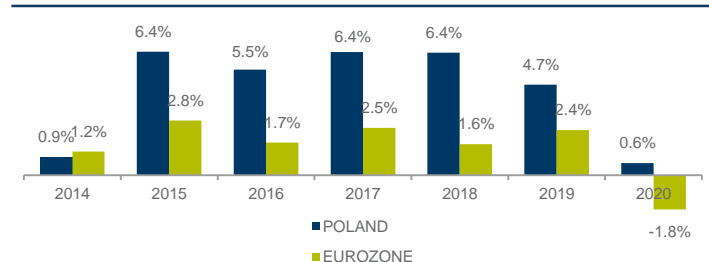
As retail remains hit hard by the pandemic, many tenants are pruning unprofitable stores to optimise their retail chains. Although the vacancy rate edged up marginally in the largest conurbations by the end of August 2020, the overall picture in the current pandemic situation is far from positive.

### PRIME RENT



Source: Cushman & Wakefield

### RETAIL SALES Y/Y GROWTH



Source: Oxford Economics

At the end of August 2020, the shopping centre vacancy rate for Poland's eight largest markets averaged 4.8%, which represented a 0.7 pp increase on H2 2019.

The highest vacancy rates were in Poznań (6.8%), Krakow (5.9%) and the Katowice Conurbation (5.3%). Five of the eight surveyed cities witnessed an increase in vacancies in the past eight months, with the highest recorded in Szczecin (up by 2.5 pp) and Katowice (up by 1.7 pp). Of the eight largest markets, Tricity reported the second-lowest vacancy rate at 3.9% following an uptick of just 0.1 pp

### Shopping centre footfall begins to fall amid rising infection rates across Poland in the autumn

The data from the Polish Council of Shopping Centres (PRCH) shows that footfall in shopping centres was rising steadily after the spring lockdown, reaching a record 90% of last year's level in the last week of August. The overall picture in September was very positive, but due to rising infections throughout Poland, the shopping centre footfall began to fall in early October and stood at 74-78% in the weeks of 5-11 October and 12-18 October. Research shows that customers appear to favour visiting small and mid-sized retail schemes while large shopping centres are seeing a trend towards quick and pre-planned shopping and reduced in-store dwell times.

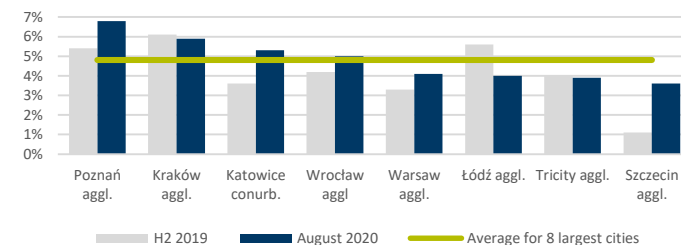
According to the PRCH Turnover Index, retail sales were down in August 2020 by 10.3% year-on-year in large shopping centres (sized 40,000-plus sqm) and by 7.3% in smaller retail schemes (below 40,000 sqm). In August 2020, the steepest year-on-year falls in turnover were reported in services (-69.7%) and entertainment (-69.0%). Food & Beverage tenants suffered an 18% loss of turnover. Falls were more limited in health and beauty (-7.8%), fashion (-3.4%) and food (-1.4%). By contrast, homeware retailers reported a 12.1% increase in turnover compared to the same period last year.

### Online sales begin to pick up again

Ever since the reopening of shopping centres after the spring lockdown, the share of online sales in total retail sales has been falling steadily - it stood at 6.1% in August 2020 compared to the record 11.9% in April and 5-6% before the pandemic. As the pandemic is intensifying this autumn, online shopping is on the rise again, accounting for 6.8% of all sales in September 2020, up by 0.7 pp on the previous month. The share of online sales is likely to grow further in the coming months, depending on how the pandemic unfolds.

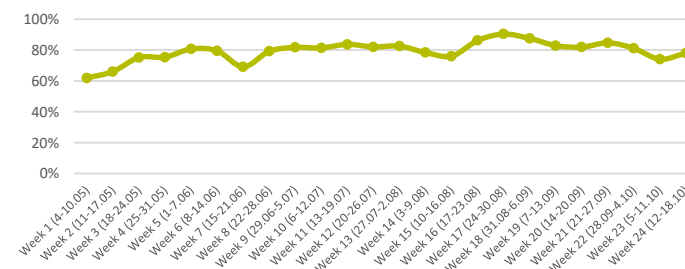
Meanwhile, total retail sales were up in September 2020 by 2.5% year-on-year compared to a 4.3% increase in September 2019, but down by 2.2% on August 2020.

### VACANCY RATES IN THE LARGEST POLISH CITIES



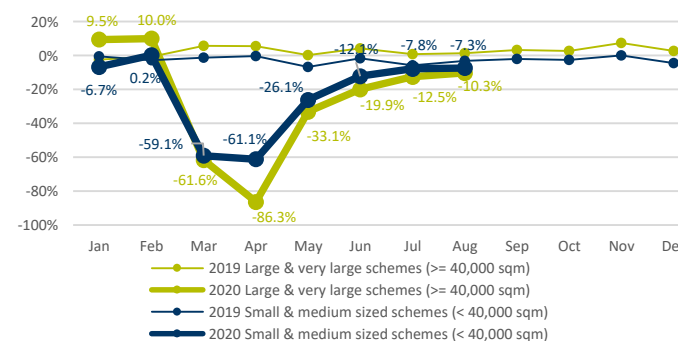
Source: Cushman & Wakefield

### SHOPPING CENTRE FOOTFALL (PERCENTAGE SHARE, Y/Y; 2020/2019; WEEKS FOLLOWING THE REOPENING ON 4 MAY)



Source: Cushman & Wakefield, based on PRCH data

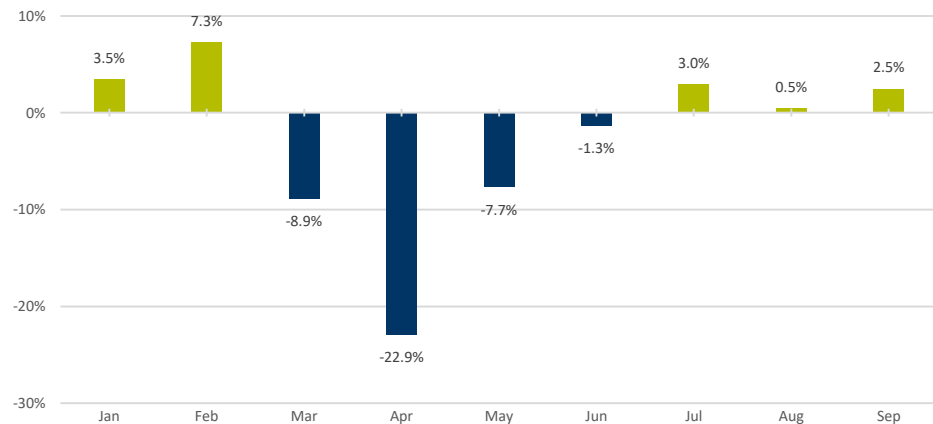
### SHOPPING CENTRE TURNOVER (% CHANGE; Y/Y; 2020/2019)



Source: Cushman & Wakefield, based on PRCH data

## RETAIL SALES

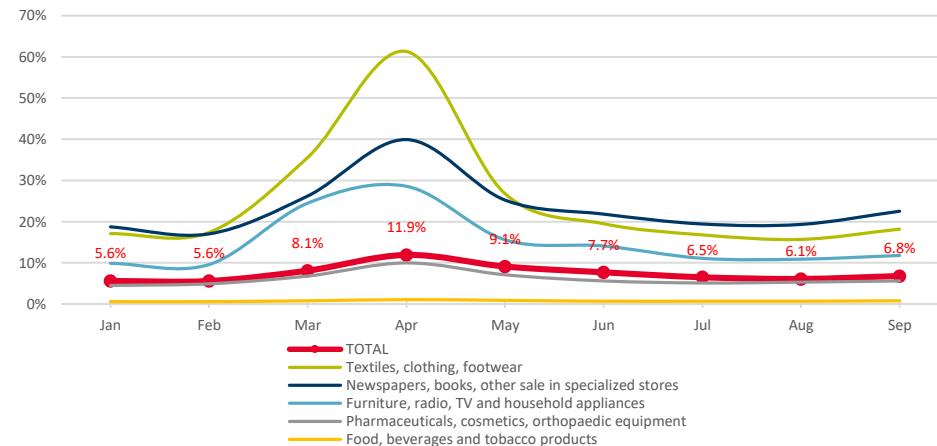
(% CHANGE, Y/Y; 2020/2019; IN CONSTANT PRICE TERMS)



Source: Cushman & Wakefield based on Main Statistical Office data

## SHARE OF ONLINE SALES IN TOTAL RETAIL SALES

(%; CURRENT PRICES; 2020)



Source: Cushman & Wakefield based on Main Statistical Office data

## 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
Galeria Bawełnianka / Bełchatów	Shopping centre	GBB Invest	23,000	2021
Galeria Wiślanka / Żory	Shopping centre	BŁYSK Investment Group	20,000	2020/2021
Galeria Andrychów / Andrychów	Shopping centre	Grupa Acteum	20,000	2021
Dekada / Nysa	Shopping centre	Dekada Realty	19,000	2020/2021
Karuzela Elk / Elk	Retail park	Karuzela Holding	16,000	2020/2021
Galeria Wieliczka / Wieliczka	Shopping centre	Soray Park	16,000	2021

Source: Cushman & Wakefield

## 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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