

€ 6,820

Av. household disposable income

Y/Y change



12-month forecast



284

Saturation (sq m per 1,000 inhabitants)



5.25%

Prime Yield



Source: Moody's; Cushman & Wakefield

ECONOMIC INDICATORS Q4 2020

-4.64%

GDP growth

Y/Y change



12-month forecast



5.96%

Unemployment rate, Poland



4.44%

Unemployment rate, Warsaw



2.88%

Retail sales



Source: Moody's

New retail space supply tops 340,000 sq m during 2020. Although retail remains affected by the pandemic crisis, the market saw 33 new completions

Close to 130,000 sq m was delivered to the market across all retail formats in Q4 2020, bringing last year's total new supply to more than 340,000 sq m. Despite pandemic-related restrictions and successive lockdowns (7-28 November and from 28 December onwards), the fourth quarter witnessed 11 new retail completions and an outlet centre extension. Newly built schemes were sized under 20,000 sq m, and nearly half of the Q4 2020 new supply was delivered through openings in cities below 50,000 inhabitants. 2020 also saw a record-breaking square meterage come off the market. It amounted to close to 200,000 sq m of retail space following the closure of nine first-generation shopping centres (four Auchan and five Tesco schemes) and the Sukcesja shopping centre in Łódź.

Retail parks sized between 5,000-10,000 sq m account for more than 30% of retail stock underway

Approximately 380,000 sq m of retail space is currently under construction and scheduled for delivery in 2021. A substantial proportion of the development pipeline (over 30%) includes retail parks sized under 10,000 sq m.

By providing a quick and convenient shopping experience, retail parks are ideally aligned with today's consumer needs. This format has gathered momentum in Poland in recent years and its appeal has grown in particular during the pandemic. Minimum communal space, convenient car parks and separate entrances to each retail unit are both very attractive to customers and provide a significantly higher level of safety.

Additionally, small and medium-sized retail schemes demonstrated more resilience to the pandemic-related consequences in comparison with large and very large shopping centres. They reported significantly smaller footfall and turnover decreases, and were able to make up for losses more quickly.

Financing institutions have a key role to play in negotiations between tenants and landlords

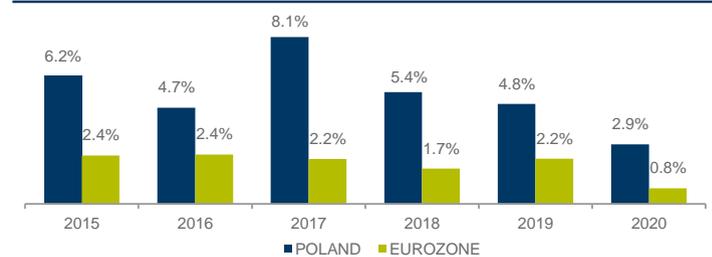
Successive periods of retail restrictions and unclear and inconsistent rules regarding which categories of tenants are permitted to open are not making for easy rental negotiations between tenants and landlords. Therefore, banks that frequently play a major role in financing both landlords and tenants are instrumental in such negotiations.

RENTS



Source: Cushman & Wakefield

RETAIL SALES, Y/Y CHANGE



Source: Moody's

It remains to be seen in the coming months whether the current situation will have a lasting impact on retail rents. While temporary rent discounts average 20%, tenants also demand financial contributions and turnover-based rents. Landlords will consent to such conditions most often in exchange for a lease extension for about a year. The current pandemic has been a catalyst for change on the retail market and accelerated restructuring or closure decisions by many retailers. International brands that have left or will withdraw from Poland soon include Camaieu, Promod, Sportisimo, Salamander, and Stefanel. Meanwhile, fourteen brands opened their first Polish stores last year, including Primark, American Urban Outfitters, American Vintage, Giorgio Armani Beauty, Falconeri, Mere, and Mömax.

Average shopping centre footfall in the last week before the December lockdown reached 78% of last year's level

Shopping centre footfall was rising steadily after the first spring lockdown, reaching as much as 90% of last year's level in the last week of August 2020. Following the increase in infections last October, the shopping centre and retail park footfall fell to approximately 60%, but moved up to around 70-78% of the previous year's level after the second November lockdown. Footfall in small and medium-sized retail schemes was reported to have been several percent higher than in large and very large schemes. Customers strongly favoured shopping centres located close to where they live, avoided crowded facilities and minimized in-store dwell times.

Cumulative turnover for January-November 2020 down across all product categories

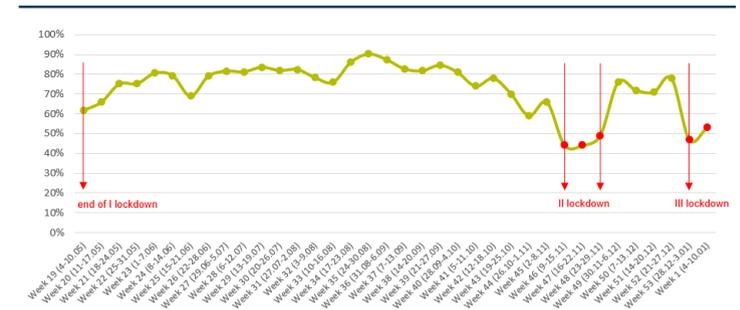
According to PRCH data, October 2020 retail sales were down by 21.4% year-on-year in large shopping centres (sized 40,000-plus sq m) and by 18.5% in smaller retail schemes (below 40,000 sq m). The cumulative fall for January-November 2020 amounted to 28.9% for large and very large shopping centres, and to 24.7% for small and medium-sized centres compared to the previous year. The steepest cumulative year-on-year falls in turnover for January-November 2020 were reported in services (-66.2%) and entertainment (-60.1%). Food & Beverage tenants suffered a 33% loss of turnover while fashion retailers witnessed a 32.4% loss. Falls were more limited in health and beauty (-21.5%) and food (-7.8%). Despite very good results in May-October, homeware retailers also reported an 8.0% decrease in turnover in January-November 2020 compared to the same period a year earlier.

Pandemic accelerates the digital transformation of retail

The online retail penetration rate (share of total retail sales) stood in Poland at around 5-6% before the pandemic. As a result of successive retail restrictions and many weeks of a total ban on brick-and-mortar retailing, e-commerce was the only distribution channel available to many retailers. Poland saw its online retail penetration rate reach all-time highs of 11.9% in April and 11.4% in November 2020. The pandemic has, however, demonstrated that brick-and-mortar retailing looks set to continue as many Polish people remain attached to traditional shopping, best illustrated by much weaker online sales following the lifting of lockdowns and easing of restrictions imposed on shopping centres.

SHOPPING CENTRE FOOTFALL

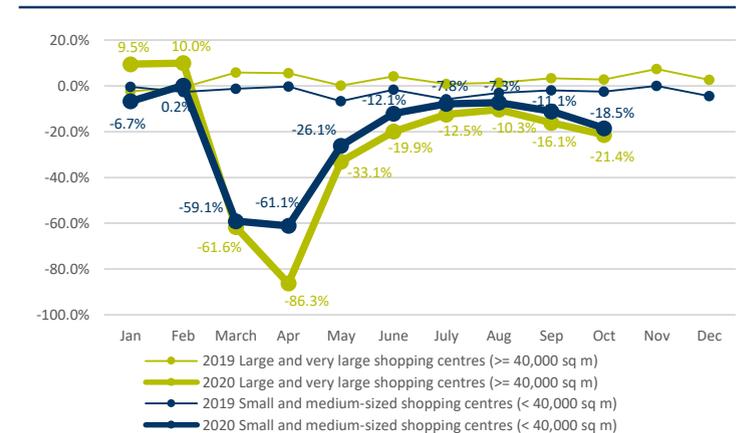
(% SHARE, Y/Y, 2020/2019; WEEKS FOLLOWING THE REOPENING ON 4 MAY)



Source: Cushman & Wakefield, based on PRCH data

SHOPPING CENTRE TURNOVER

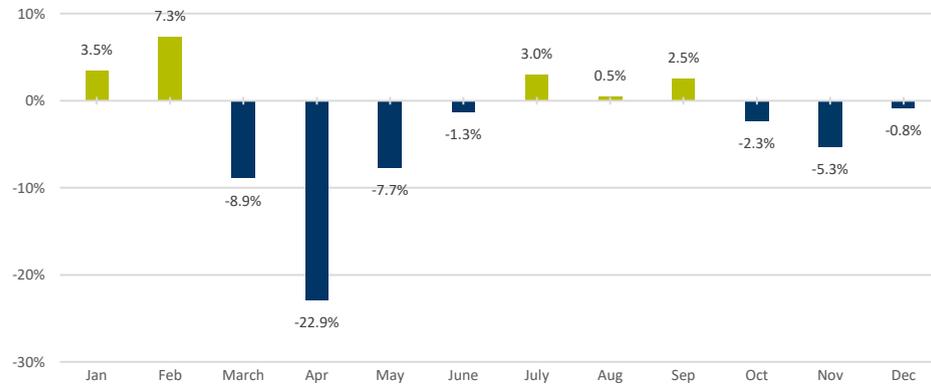
(% CHANGE, Y/Y, 2020/2019)



Source: Cushman & Wakefield, based on PRCH data

RETAIL SALES

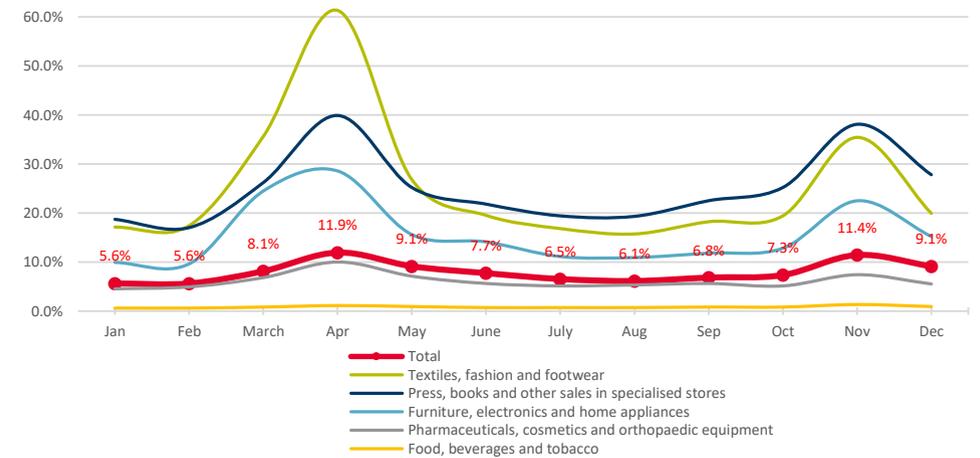
(% CHANGE, Y/Y; 2020/2019; IN CONSTANT PRICE TERMS)



Source: Cushman & Wakefield, based on data from the Central Statistical Office (GUS)

SHARE OF ONLINE SALES IN TOTAL RETAIL SALES

(%; CURRENT PRICES; 2020)



Source: Cushman & Wakefield, based on data from the Central Statistical Office (GUS)

MAJOR RETAIL OPENINGS PLANNED FOR 2021

SCHEME / CITY	FORMAT	DEVELOPER	RETAIL FLOORSPACE (SQ M)	OPENING DATE
Norblin Factory / Warsaw	Mixed-use	Capital Park	26,000	2021
Karuzela Kołobrzeg / Kołobrzeg	Shopping centre	Karuzela Holding	25,000	2021
Galeria Andrychów / Andrychów	Shopping centre	Acteum Group	24,000	2021
Galeria Bawelnianka / Bełchatów	Shopping centre	GBB Invest	23,000	2021
Galeria Wieliczka / Wieliczka	Shopping centre	Soray Park	16,000	2021
Sekunda / Jędrzejów	Shopping centre	Vanstar	13,000	2021
Multishop / Suwałki	Retail park	Multishop	10,000	2021
PH Panova / Ząbkowice Śląskie	Retail park	P.A. Nova	10,000	2021

Source: Cushman & Wakefield

MAJOR RETAIL OPENINGS IN Q4 2020

SCHEME / CITY	FORMAT	DEVELOPER	RETAIL FLOORSPACE (SQ M)	OPENING DATE
Dekada / Nysa	Shopping centre	Dekada Realty	20,000	Q4 2020
Galeria Wiślanka / Żory	Shopping centre	Blysk Investment	20,000	Q4 2020
Karuzela / Elk	Retail park	Karuzela Holding	16,000	Q4 2020
Stacja Mława / Mława	Shopping centre	Scotia Development	12,000	Q4 2020
Vendo Park / Częstochowa	Retail park	TREI Real Estate	8,200	Q4 2020
Galeria Hosso / Barlinek	Shopping centre	Hosso	7,500	Q4 2020
RedHill / Augustów	Retail park	Redmill	7,500	Q4 2020
Vendo Park / Łuków	Retail park	TREI Real Estate	6,800	Q4 2020

Source: Cushman & Wakefield

RETAIL MARKET STATISTICS

CONURBATION	SHOPPING CENTRES (SQ M)	SHOPPING CENTRES UNDER CONSTRUCTION (SQ M)	SATURATION (SQ M PER 1,000 INHABITANTS)	PRIME YIELD
Warsaw, city centre	1,423,147	0	554	5.25%
Warszawa, non-central locations				5.65%
Katowice	1,120,443	6,600	521	5.70%
Poznań	693,554	0	845	5.90%
Wrocław	692,006	8,000	865	5.90%
Gdańsk	678,193	0	656	5.90%
Krakow	565,894	16,000	547	5.65%
Łódź	516,955	0	552	5.90%
Szczecin	263,286	0	473	6.45%

Source: Cushman & Wakefield

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