MARKETBEAT

POLAND

Retail market Q3 2023

	YoY change	12-month forecast
PLN 7,369 Average monthly salary	▲	▲
€130 Rent* (sq m/month)	▲	▲
6.20% Retail yield	▲	▲

*Source: Statistics Poland (GUS); Cushman & Wakefield; Q3 2023; *prime shopping centre rents*

ECONOMIC INDICATORS AND OUTLOOK 2023

	YoY change	12-month forecast
-0.5% YoY GDP decline (Q2 2023)	▼	▲
5.0% Unemployment rate in Poland (Aug 2023)	▼	▲
8.2% YoY inflation (Sept 2023)	▲	▼
-2.7% YoY retail sales fall (Aug 2023)	▼	▲

Source: Statistics Poland (GUS), f - forecast

ECONOMY: a technical recession amid falling inflation growth and improving retail sales

According to estimates from Statistics Poland (GUS), Poland's GDP (non-seasonally adjusted values) contracted 0.2% year-on-year in the first quarter of 2023 and 0.5% in the second quarter, putting the country into a technical recession after two quarters of negative growth. The inflation rate dropped below 10% to 8.2% in September, which is likely to trigger further interest rate cuts. Although retail sales for the three months to September 2023 improved versus the second quarter, their annual growth remains in negative territory, with sales for August 2023 down by 2.7% year-on-year compared to a record low of -7.3% in March and April.

SUPPLY: supply turns negative in Q3, with two shopping centre closures and retail park openings and extensions

43,000 sq m was added to the Polish retail market through new openings of schemes of over 5,000 sq m of GLA while closures accounted for 62,000 sq m, sending retail supply for the third quarter of 2023 into negative territory (-19,000 sq m). The first half of 2023, however, saw a healthy supply level of approximately 144,000 sq m. The biggest contributor to the negative result for the third quarter was the closure of Galeria Malta in Poznań (54,000 sq m of GLA). Another smaller shopping centre to close down was Belg in Katowice. In the third quarter of 2023, new retail space was delivered through three new retail park openings and extensions of four existing parks. The largest completion was the Karuzela Retail Park in Biała Podlaska (19,000 sq m of GLA). The other two new retail parks were Go! Park in Jasło and Vendo Park in Łapy. Approximately 10,500 sq m of GLA came on stream through extensions. Poland's total retail stock stands at around 16 million sq m, with the outlook for new supply in the fourth quarter being promising as approximately 200,000 sq m of retail space is expected to open in the closing months of the year.

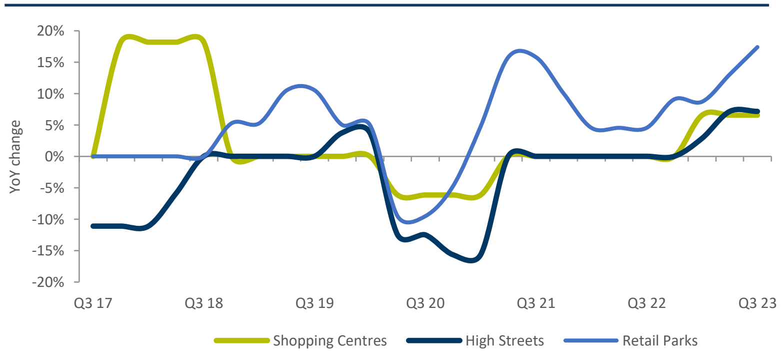
The development pipeline comprises 54 retail schemes with a combined leasable area of 0.5 million sq m

At the end of September 2023, there was approximately 510,000 sq m of retail space under construction and scheduled for opening in 2023-24. Around 398,000 sq m will be delivered through 40 new retail projects sized over 5,000 sq m, including 33 retail parks, 5 shopping centres and 2 retail warehouses (Kaufland and Castorama). Extensions account for 44,000 sq m of the development pipeline and include 5 retail parks, 4 shopping centres and Designer Outlet Gdańsk (2,000 sq m is expected to be added). Redevelopments underway comprise three schemes vacated by Tesco including Galeria Ozimska, which will be remodelled as a retail park, and redevelopment of Sukcesja in Łódź. Importantly, retail parks account for as much as 77% of the retail stock under construction.

DEMAND: six new brands enter the Polish market in the third quarter

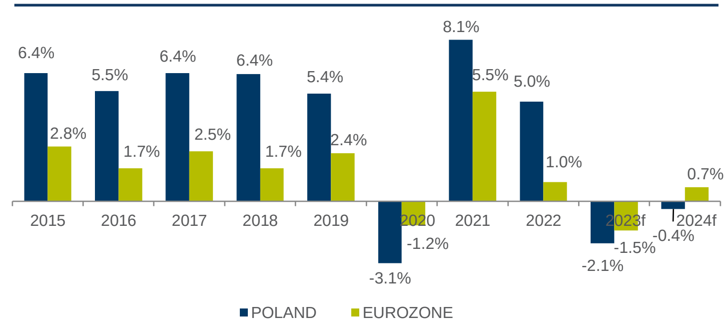
The third quarter of 2023 saw six newcomers enter the Polish retail market. These included the US fast food chain Popeyes, the Lithuanian-based retailer Candy Pop, the Ukrainian fashion brand Solmar, the Spanish jewellery brand Acium, the Italian restaurant chain L'Osteria and the Polish home & deco brand Zwieger, which previously had only an online presence. A total of 18 brands have debuted in the year to date - a stable figure and comparable with that for previous years.

RENTS, YoY CHANGE



Source: Cushman & Wakefield

RETAIL SALES, YoY CHANGE



Source: Eurostat, GUS, Moody's; f - forecast

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RETAIL SALES: a rebound but still in negative territory

Retail sales statistics improved during the third quarter of 2023. Retail sales in constant prices for July and August were down by only -4.0% and -2.7% year-on-year respectively compared to a fall of 7.3% year-on-year for March and April. Data for August 2023 shows a 2.8% month-to-month increase.

In August 2023, the only retail category growing year-on-year in constant prices was motor vehicles, motorbikes and spare parts, with sales up by 3.4% versus the same month last year. The biggest slump in business for the second quarter in a row was recorded for newspapers and books (-14.3%), other (-13.4%), and furniture, radio, tv and home appliances (-10.6%). Sales volumes for textiles, clothing and footwear as well as pharmaceuticals and cosmetics - the two key retail categories for shopping centres - were down by -4.9% and -2.9% year-on-year respectively. Sales of food, beverages and tobacco contracted by 2.1% year-on-year. Consumer sentiment is improving, driven by falling inflation and an unexpectedly large interest rate cut, but Polish shoppers are still mindful of how they spend their disposable income on big-ticket items. Retail sales are, however, expected to continue to improve.

In August 2023, Poland's online penetration rate stood at 8.2%, down from its highest of 8.7% in February but well above its lowest point in 2023 of 7.7% reported in June. Of the nine retail categories according to Statistics Poland, the best online performers were newspapers and books (23.1%) and textiles, clothing and footwear (17.7%).

FOOTFALL AND TURNOVER: an uplift in footfall but real turnover still in negative territory

The average footfall for shopping centres and retail parks during the summer holiday period was 463,000 per retail scheme in July 2023 and 478,000 in August 2023, up by 4.5% and 6.3% year-on-year respectively. Broken down by size (the largest, large, medium-sized and small shopping centres), the outperformers were the largest shopping centres with over 60 thousand sq m of GLA and large ones (40-60 thousand sq m), which saw their footfall levels grow by 8.2% and 7.3% year-on-year respectively.

In July 2023, net nominal retail sales in prime retail schemes averaged PLN 1,071 per square metre of floorspace before improving marginally to PLN 1,107 per square metre in August 2023, up by 6.5% and 8.5% year-on-year respectively. However, real turnover (taking account of inflation) was down year-on-year by 4.3% in July and 1.6% in August. Due to falling inflation rates, the declines in real turnover are not as deep as in previous months.

RENTS: all the three retail sectors see year-on-year rental growth

In the third quarter of 2023, shopping centres, retail parks and high streets alike posted positive year-on-year rental growth, with the strongest rise of around 17% recorded for retail parks. The downturn in the consumer market and lower real turnover levels experienced by tenants are the main drivers behind the downward pressure on non-prime rents.

VACANCIES: retail vacancy rates fall in the largest Polish cities

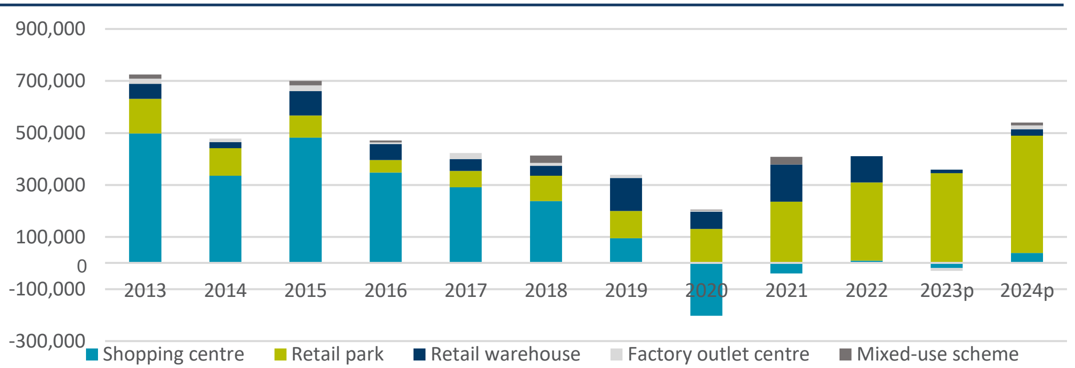
The average retail vacancy rate in Poland's largest cities currently stands at 3.5%, down by 1.2 pp year-on-year. More importantly, falls were recorded in six out of the eight largest cities, with the availability of retail space at the lowest in Kraków, Łódź and Szczecin.

MAJOR RETAIL OPENINGS IN Q3 2023

SCHEME / CITY	FORMAT	DEVELOPER	RETAIL FLOORSPACE (sq m)
Karuzela/ Biała Podlaska	Retail park	Karuzela Holding	19,000
Go! Park/ Jasło	Retail park	WMJ Invest	7,500
Vendo Park/ Łapy	Retail park	TREI Real Estate	6,000

Source: Cushman & Wakefield

RETAIL SPACE SUPPLY BY FORMAT



Source: Cushman & Wakefield, f-forecast

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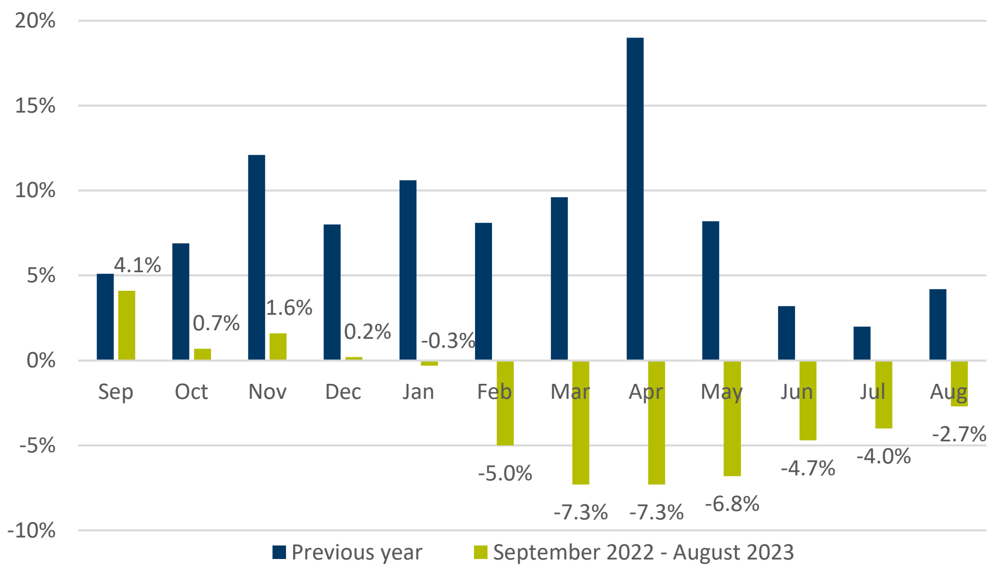
RETAIL SALES

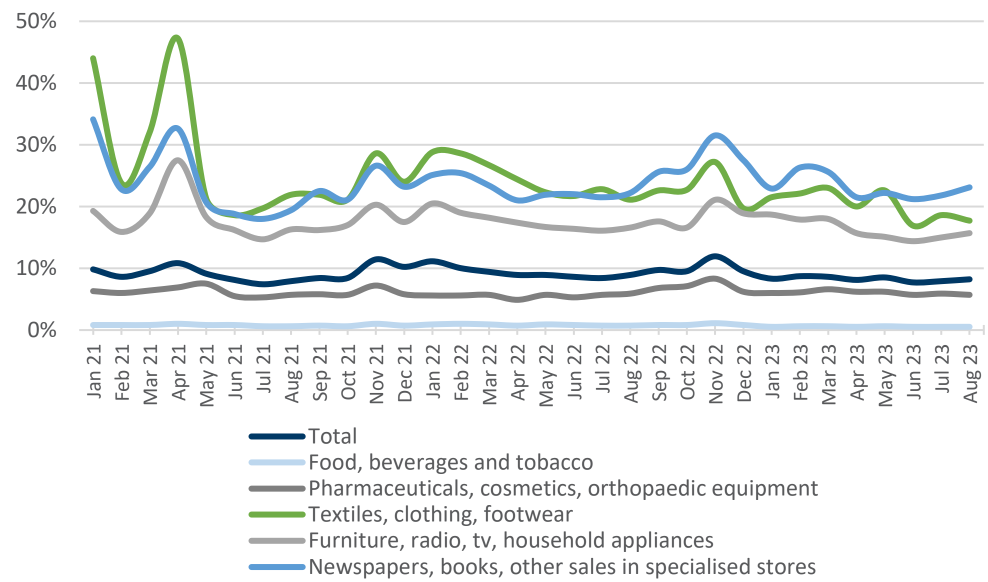
(% CHANGE YoY; IN CONSTANT PRICES)



Source: Cushman & Wakefield, based on data from Statistics Poland

SHARE OF ONLINE SALES IN TOTAL RETAIL SALES

(%; CURRENT PRICES; 2021, 2022, 2023)



Source: Cushman & Wakefield, based on data from Statistics Poland

MAJOR RETAIL OPENINGS PLANNED FOR Q4 2023

SCHEME	CITY	FORMAT	RETAIL FLOORSPACE (sq m)	DEVELOPER
Ozimska Park [redevelopment of Galeria Ozimska]	Opole	Retail park	16,800	Redkom
Pasaż Kępiński	Kępno/ Baranów	Retail park	12,000	Refield
Targowa Retail Park	Przasnysz	Retail park	12,000	ARBA
Sfera Park	Grodzisk Mazowiecki	Retail park	11,000	GHRE
Atut Myszków	Myszków	Retail park	11,000	BOIG
Fromborska Retail Park	Elbląg	Retail park	10,800	Retail Partners
S1 Retail Park [redevelopment of Tesco's store]	Gorzów Wielkopolski	Retail park	11,400	Saller

Source: Cushman & Wakefield

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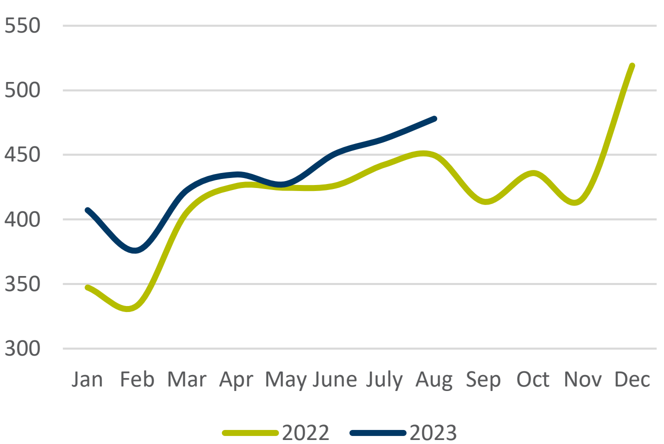
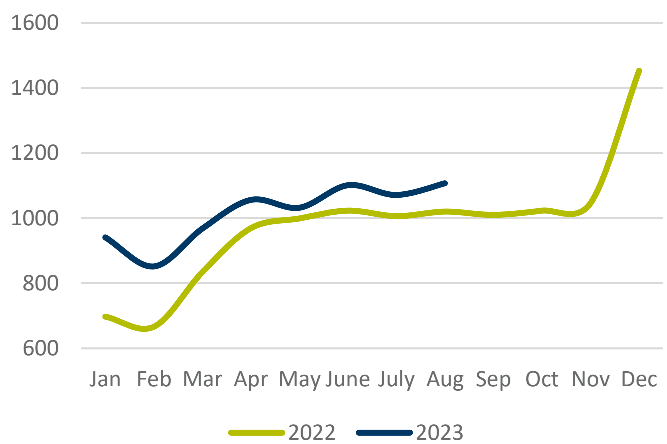
Retail market Q3 2023

SHOPPING CENTRE FOOTFALL
(AV. NUMBER OF VISITORS PER SHOPPING CENTRE, IN THOUSANDS)



Source: Cushman & Wakefield, based on PRCH data

NOMINAL SHOPPING CENTRE TURNOVER
(PLN/sq m)



Source: Cushman & Wakefield, based on PRCH data

RETAIL MARKET STATISTICS

CONURBATION	ALL RETAIL FORMATS (sq m)	SHOPPING CENTRES (sq m)	SHOPPING CENTRE SATURATION (sq m/1,000 inhabitants)	PRIME YIELD
Warsaw, city centre	2,348,500	1,409,200	504	6.20%
Warsaw, non-central locations				6.75%
Silesian Conurbation	1,515,100	1,015,800	506	6.75%
Tricity	981,500	630,800	565	6.75%
Poznań	866,600	693,600	728	6.90%
Wrocław	869,100	557,400	627	6.75%
Kraków	806,600	535,400	476	6.75%
Łódź	640,800	466,800	514	6.75%
Szczecin	440,900	251,400	474	7.30%
Poland totals	16,042,100	10,472,700	272	6.20%

Source: Cushman & Wakefield

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