

## MARKET INDICATORS

## Market Outlook

Prime Rents:	Stable prime retail rents in shopping centres with a slight downward trend in terms of high street locations.	▶
Prime Yields:	4.50% Warsaw, 5.00-5.75% for the regional shopping centres. The largest transactions of Q3 2018 were: disposal of Galeria Malta by Neinver Group and acquisition of King Cross Marcelin by EPP for EUR 91.1 million.	▶
Supply:	Ca. 20,000 sq. m of new supply, with further 300,000 sq. m until year end and more than 800,000 sq m of retail space currently under construction or with a valid building permit.	▶
Demand:	Strong occupier and investor demand for prime retail locations. Interest in secondary assets clearly shaped by local retail sector fundamentals.	▶

## Prime Retail Rents – September 2018

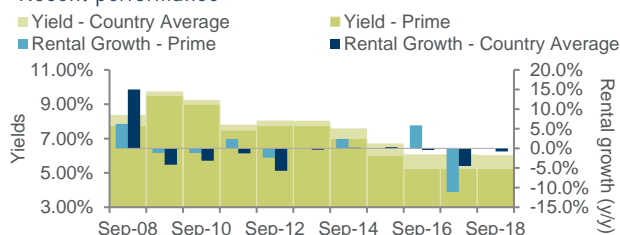
HIGH STREET SHOPS	€		US\$	GROWTH %	
	SQ.M MTH	SQ.M YR	SQ.FT YR	1YR	5YR CAGR
Warsaw	80.0	960	104.1	0.0	-0.7
Krakow	75.0	900	97.6	0.0	-0.8
Katowice	45.0	540	58.6	0.0	-4.3
Poznan	50.0	600	65.1	0.0	-1.9
Lodz	25.0	300	32.5	0.0	-0.8
Wroclaw	40.0	480	52.1	0.0	-0.5

## Prime Retail Yields – September 2018

HIGH STREET SHOPS (FIGURES ARE GROSS, %)	CURRENT	LAST	LAST	10 YEAR	
	Q	Q	Y	HIGH	LOW
Warsaw	5.25	5.25	5.25	9.50	5.25
Krakow	5.75	5.75	5.75	9.75	5.75
Katowice	6.75	6.75	6.75	10.00	6.75
Poznan	6.75	6.75	6.75	10.00	6.75
Lodz	6.75	6.75	6.75	10.00	6.75
Wroclaw	6.75	6.75	6.75	10.00	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	8.50	7.00
SHOPPING CENTRES (FIGURES ARE GROSS, %)	CURRENT	LAST	LAST	10 YEAR	
	Q	Q	Y	HIGH	LOW
Country prime	4.50	4.75	4.75	7.75	4.50

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 growth momentum remains strong. Tight labor market pushes wages up by 6-7%. With CPI inflation still low, private consumption remains the key growth driver of the Polish economy. In the third quarter of 2018, new retail supply amounted to just 20,000 sq m opened across two new DIY stores (Leroy Merlin in Tarnów and Castorama in Grudziądz) and an extension of the Dekada retail park in Grójec, bringing Poland's retail stock up to more than 14.4 million sq m. Despite the small number of new openings in the third quarter, this year's total supply is expected to be the highest in the last three years.

## Occupier focus

More than 800,000 sq m of retail space is currently under construction or has a valid building permit. Nearly 40% of this amount will be delivered by the end of 2018. This year's total supply is expected to hit approximately 490,000 sq m, the highest completion level in the last three years. The strongest development activity is in both Poland's largest cities and smaller cities and towns with a population of less than 100,000. Urban agglomerations are dominated by large-scale shopping and leisure centres developments, mixed-use concepts and extensions of existing schemes. Smaller cities with lower saturation levels, weaker competition and a high purchasing potential are developing largely through retail parks and convenience schemes targeting local consumers and offering the convenience of quick shopping.

## Investment focus

In the first three quarters of 2018, retail assets of the total value EUR 2.14 million has been already transacted, which is almost twice as much as in the corresponding period of 2017. At the end of the third quarter of 2018 the total commercial real estate volume in Poland is close to exceed EUR 5 billion with retail sector share of over 44%. In Q3 2018 only, the retail investment volume amounted to EUR 241 and constituted about 14% of total investment volume in that quarter (EUR 1.76 million). The largest retail transactions of Q3 2018 were disposal of Galeria Malta by Neinver Group and acquisition of King Cross Marcelin by EPP for EUR 91.1 million. Poland, officially upgraded in this quarter to Developed Market in FTSE Russell ranking, remain attractive investment destination for investors. Prime yields at 2018-year end are expected to further compress below 5% for retail sector.

## Outlook

The focus on upgrading, redevelopments and extensions of existing retail schemes as well as expanding F&B and leisure components in shopping centres are the key trends on the Polish market. The retail sector continues to adapt to the new market conditions following the entry of the Sunday trading restrictions. In the first six months of the Sunday trading ban in force, shopping centres recorded lower footfall and turnover levels - on average down by 6.6% and 3.0%, respectively, compared with the same period in 2017. High household consumption, which remains the key driver behind Poland's economic growth, substantially mitigated the negative effects of the ban.