

POLAND

# Retail Market Snapshot

First Quarter | 2019



## MARKET INDICATORS

### Market Outlook

- Prime Rents: Despite Sunday trading restrictions and growing competition, average shopping centre rents remained largely unchanged. ▶
- Prime Yields: 4.25% Warsaw, 5.00-5.75% for the regional shopping centres. Retail investment market in Q1 2019 was rather quiet – the total retail investment volume of the quarter amounts to EUR 34.3 million. ▶
- Supply: Ca. 40,000 sqm of new retail supply in Q1 2019, with further 360,000 sqm currently under construction and to be delivered by the end of this year. ▶
- Demand: Strong occupier and investor demand for mixed-use schemes and small retail parks. ▶

### Prime Retail Rents – March 2019

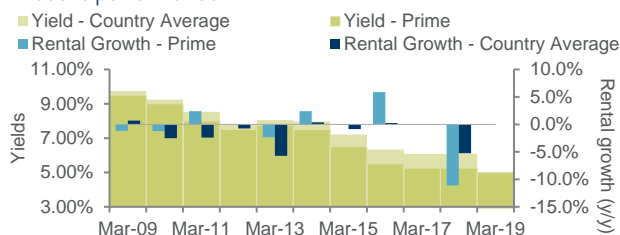
HIGH STREET SHOPS	€	€	US\$	GROWTH %	
	SQ.M MTH	SQ.M YR	SQ.FT YR	1YR	5YR CAGR
Warsaw	80.0	960	100.8	0.0	-1.2
Krakow	75.0	900	94.5	0.0	-0.3
Katowice	45.0	540	56.7	0.0	-3.9
Poznan	50.0	600	63.0	0.0	-1.9
Lodz	27.0	324	34.0	8.0	0.8
Wroclaw	40.0	480	50.4	0.0	0.0

### Prime Retail Yields – March 2019

HIGH STREET SHOPS (FIGURES ARE GROSS, %)	CURRENT	LAST	LAST	10 YEAR	
	Q	Q	Y	HIGH	LOW
Warsaw	5.00	5.00	5.25	9.50	5.00
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	4.25	4.25	4.75	7.75	4.25

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

Though GDP growth is expected to slow to 3.5% this year, the Polish economy performs well supported by tight labour market and low inflation environment with private consumption and investment to remain the key growth drivers. In Q1 2019 ca. 40,000 sqm of retail space came onto the market in several new schemes: Silesia Outlet Centre (12,000 sq. m) in Gliwice being the first outlet centre in Upper Silesia region; Galeria Hosso (10,000 sqm) shopping centre in Drawsko Pomorskie; Atut Ruczaj (6,800 sqm) retail park in Kraków and Agata Meble (10,000 sqm) retail warehouse in Opole. Additionally, one shopping centre, VIVO in Stalowa Wola, was extended by ca. 2,000 sqm. At the end of Q1 2019 the total retail stock in Poland exceeded 14,7mln sq. m. In addition, there is a growing number of convenient shopping centres and small retail parks with a sales area below 5,000 sqm.

### Occupier focus

The largest shopping centres scheduled for opening for the next months are: Galeria Mlociny (72,300 sqm) in Warsaw, Stara Ujeżdźalnia (26,000 sq. m) in Jarosław, Color Park (25,000 sqm) in Nowy Targ and Galeria Wiślanka (20,000 sqm) in Żory. In total, ca. 400,000 sqm of retail space should be delivered by the end of this year with annual volume of new supply similar to previous year. Saturation ratio in the largest cities directly affects the transfer of investors' and developers' interest to the smaller cities. Over 20% of new supply this year will be delivered to smallest towns with a population below 50,000 inhabitants.

### Investment focus

Following record breaking in terms of investment activity year 2018, the first quarter of 2019 on retail investment market in Poland was rather quiet. The total retail investment volume of the quarter amounts to EUR 34.3 million. The Saller Group acquired two convenient retail schemes and fund managed by Mitiska REIM purchased 50% holding in four local retail destinations, which are retail parks in Lubliniec and Turek as well as shopping centres in Września and Wodzisław. Although, the standard duration of an investment process has extended, there are number of ongoing portfolio and asset retail transactions that are scheduled to be finalized in this year.

### Outlook

Increasing market saturation, changing customer needs and expectations, and the rapid growth of e-commerce are the key drivers shaping the retail real estate sector in the near future. Looking ahead, shopping centres will be further transforming from retail-only schemes into destination schemes to provide interesting and unique experiences. 2019 will certainly witness a further expansion of multichannel retailing where shoppers will enjoy a variety of ordering, payment, collection and delivery options.

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### Małgorzata Dziubińska

Associate Director, Consulting & Research  
Tel: +48 510 009 021  
[malgorzata.dziubinska@cushwake.com](mailto:malgorzata.dziubinska@cushwake.com)  
Metropolitan, Pl. Piłsudskiego 1,  
00-078 Warsaw, Poland  
cushmanwakefield.com