

POLAND Retail Market Snapshot

Second Quarter | 2019



MARKET INDICATORS

Market Outlook

Prime Rents:	Despite Sunday trading restrictions and growing competition, prime shopping centre rents remained largely unchanged.	▶
Prime Yields:	4.50% Warsaw, 5.25-6.00% for the regional shopping centres. After a low investment activity in retail sector in the beginning of the year, the second quarter of 2019 ended with volume reaching nearly EUR 420 million.	▶
Supply:	Ca. 180,000 sqm of new retail supply in Q2 2019, with further 200,000 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 – June 2019

HIGH STREET SHOPS	€	€	US\$	GROWTH %	
	SQ.M MTH	SQ.M YR	SQ.FT YR	1YR	5YR CAGR
Warsaw	80.0	960	107.7	0.0	-1.2
Krakow	75.0	900	101.0	0.0	-0.3
Katowice	45.0	540	60.6	0.0	-3.9
Poznan	50.0	600	67.3	0.0	-1.9
Lodz	27.0	324	36.4	8.0	0.8
Wroclaw	40.0	480	53.9	0.0	0.0

Prime Retail Yields – June 2019

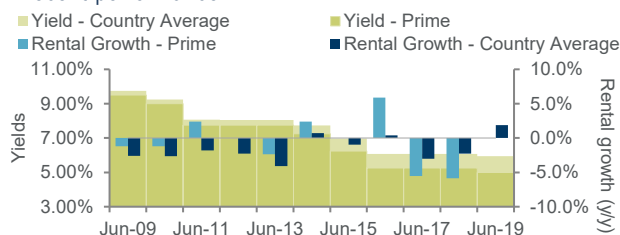
HIGH STREET SHOPS (FIGURES ARE GROSS, %)	CURRENT	LAST	LAST	10 YEAR	
	Q	Q	Y	HIGH	LOW
Warsaw	5.00	5.00	5.25	9.50	5.00
Krakow	5.75	5.75	5.75	9.75	5.75
Katowice	6.75	6.75	6.75	10.00	6.75
Poznan	6.75	6.75	6.75	10.00	6.75
Lodz	6.75	6.75	6.75	10.00	6.75
Wroclaw	6.75	6.75	6.75	10.00	6.75

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	4.50	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

Poland's economy grew by 5.1% in 2018 and GDP growth in the first quarter of this year remained strong at 1.5% q/q, mainly driven by investment and private as well as public consumption. Private consumption is expected to strengthen in the second half of 2019. Together with strong wage growth and favourable labour market trends, this is expected to support consumer confidence. Inflation increase in the second quarter of 2019 to 2.5% was mainly driven by food prices. After a relatively quiet, in terms of new retail supply, first quarter of 2019, Q2 saw over 180,000 sqm of retail space delivered in several new schemes out of which the largest shopping centres are: Galeria Młociny in Warsaw (78,500 sqm) and Tkalnia in Pabianice (12,000 sqm). Additionally, several retail schemes were extended. The largest extensions of Q2 2019 are: Morski Retail Park in Gdańsk by 16,500 sqm and Solaris shopping centre in Opole by 9,000 sqm. At the end of Q2 2019 the total retail stock in Poland exceeded 14.9 million sqm.

Occupier focus

The largest shopping centres scheduled for opening until end of 2019 include: Stara Ujeżdźalnia (26,000 sqm) in Jarosław and Retail Park with Castorama (25,000 sqm in total) in Włocławek. The total retail space volume scheduled for 2019 is expected to reach ca. 430,000 sqm and will be similar to previous year. The high level of retail space provision in Poland's largest metropolitan areas, averaging 850 sqm per 1,000 people, is shifting investors and developers interest towards smaller cities. Over 40% of this year's new supply will be delivered in cities below 200,000 inhabitants.

Investment focus

After a low investment activity in retail sector in the beginning of the year, the second quarter of 2019 ended with volume reaching nearly EUR 420 million. We have noticed the transaction of different types of retail assets from retail parks, standard shopping gallery, factory outlet center to portfolio deal. The largest transaction comprised the acquisition of second tranche of Chariot portfolio by EPP for EUR 224 million. Blackstone sold Galeria Leszno to Prime Holdings for EUR 70 million reflecting the yield at 7.5%. The lowest yield at 5.5% was recorded for the disposal of Cinema City unit located in Manufaktura to Union Investment for EUR 21 million. Nuveen has further extended its portfolio in Poland by the acquisition of Silesia Outlet in Gliwice for EUR 31 million from 6b47. Due to the global slowdown in retail investments affecting continental Europe, the market can witness repricing and investors selectivity. However, Poland experiences strong retail sales growth driven by increasing salaries which will help to gain further investors interest in prime dominant retail schemes, convenience centers and retail parks.

Outlook

Looking ahead, investor interest is expected to shift further towards smaller cities with a population of less than 100,000. Due to fairly high retail saturation levels in large cities, smaller retail schemes - more appropriate for smaller markets with low saturation rates - will account for an increasing share of total supply. As a result, new annual supply is likely to hit lower figures in the coming years compared to recent years. Mixed-use schemes combining residential, retail, service, F&B, cultural, entertainment and office functions are on the rise. In Warsaw four such projects are at the moment under construction with delivery date scheduled for the next two years.

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