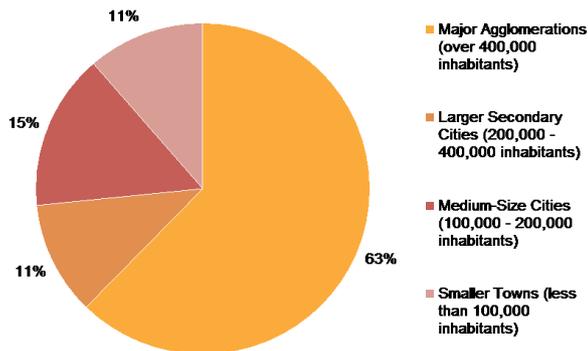


Poland retail market

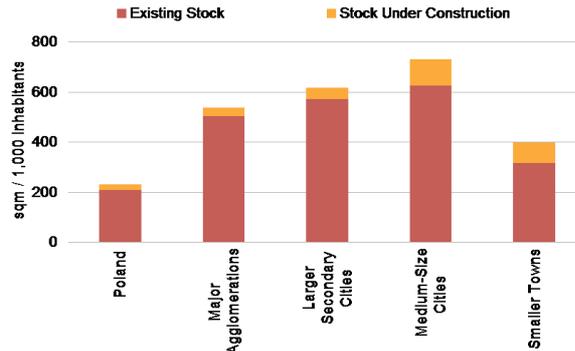
Autumn 2010

Distribution of GLA of modern shopping centres



Source: Savills Research

Average Shopping Centre Density



Source: Savills Research

“Rising retail sales, increasing consumer credit and higher employment all combine to support an improvement in demand for retail floorspace throughout Poland in 2011. This will encourage developer activity in selected locations, albeit limited to the main agglomerations.”

Brian Burgess - Managing Director



- Recovering economy and rising consumer confidence supported by easing consumer credit lending criteria are the main drivers of the growth in retail sales.
- In the third quarter of 2010 modern shopping centre stock exceeded 8.0 million m². The average shopping centre provision per 1,000 inhabitants amounts to about 210 m² and remains slightly below the EU-27 average.
- About 60% of the shopping centre stock is located within the eight largest agglomerations. The highest shopping centre density is recorded in Poznan and Wroclaw.
- Among larger and medium-size secondary cities there are important regional centres with extensive catchment populations.
- Shopping centre density is most differentiated in smaller towns (less than 100,000 inhabitants) and ranges up to 1,700 m² per 1,000 inhabitants.
- Demand for shopping centre floorspace is stable which is reflected in low (below 5%) vacancy rates in most shopping centres.
- Headline rents have consolidated in 2010 and some signs of rental recovery are visible notably within leading shopping centres.
- About 1 million m² of GLA of modern shopping centre is currently under construction. More than 50% of the GLA under construction is located in medium-size cities and smaller towns.
- We expect that the next wave of development by retail developers will be targeted at major agglomerations.

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Economy and demand

Economy

Poland is the only country that recorded positive GDP growth in the whole of Europe in 2009 while in a global crisis period. The first quarter of 2010 recorded 3.0% and the second at 3.1%. Forecasts of the annual GDP growth in 2010 ranges from 3.0% to 3.2% depending on the source.

Annual inflation decreased in 2009 to the level of 3.5%. Forecasts relating to annual inflation in 2010 vary between 1.8% (NBP, OECD) and 2.6% (IMF). Unemployment is now 11.4% after a 100 bps increase between December 2009 and January 2010 followed by a fall starting from February 2010. Official forecast (NBP) is for 10.2% by the end of the year.

The average growth in salaries over the last 10 years was significantly higher than the inflation rate, which, supported by the decrease in unemployment, confirms growing purchasing power of the population. The financial crisis has hindered this fast growth however the Polish economy has managed to sustain a positive trend.

Consumer demand

The retail sales in 2009 were slightly lower than in 2008, which was the result of the lack of consumer confidence in the difficult times of financial crisis. In the first half of 2010 consumer confidence has recovered leading to an increase in retail sales driven mainly by improving economy and higher availability / lower cost of consumer credit.

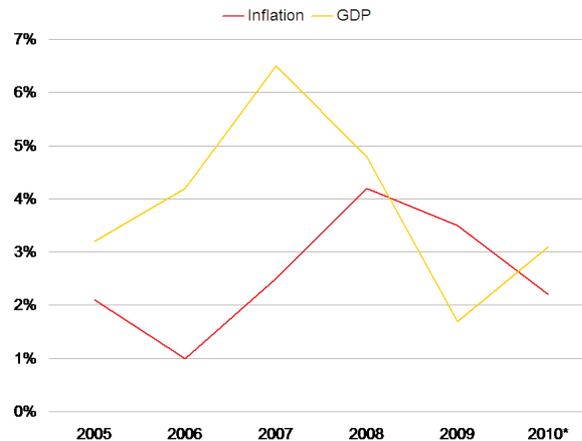
There are also positive forecasts for consumer spending in the last quarter of 2010 boosted by Christmas expenditure.

Retailers demand

Since the second half of 2008 most retailers have been more cautious with expansion plans. Many retailers have reviewed their existing chains and decided to withdraw from the locations that were not profitable.

The situation is now improving. In the first half of 2010 we observed significant recovery in retailers' profitability and an increase in demand. In prime shopping centres (both existing and new), demand remains stable and best developments are usually mostly commercialised prior to completion. For existing prime shopping centres landlords still have some waiting lists of potential interested tenants. The situation is weaker in less popular locations, where landlords face significant difficulties with commercialisation or re-commercialisation of their projects.

GDP and inflation



Source: NBP / *Forecast

Monthly retail sales growth (y-o-y)



Source: GUS

Selected shopping centres completions in 2010

PROJECT	CITY	GLA (m ²)
Port Lodz	Lodz	70,000
Galeria Victoria	Walbrzych	43,000
Agora Bytom	Bytom	25,000
Galeria Mazovia	Plock	25,000
Galeria Sanowa	Przemysl	21,000
Suwalki Plaza	Suwalki	20,000
Tesco Goclaw	Warsaw	18,000
Zgorzelec Plaza	Zgorzelec	15,000
Metropol	Warsaw	13,500

Source: Savills Research

Supply and densities

Major agglomerations

Within the eight largest Polish agglomerations there is about 60% of the modern shopping centre stock (incl. retail parks and outlet centres, but excl. stand alone retail warehousing). Currently, the highest shopping centre provision per 1,000 inhabitants is recorded in Poznan and Wroclaw. The largest completions in 2010 included the second phase of Port Lodz (70,000 m² GLA) and Tesco Goclaw in Warsaw (18,000 m² GLA).

The average shopping centre density in major Polish agglomerations amounts to about 500 m² per 1,000 inhabitants.

In five of the eight agglomerations there is at least one project under construction. The largest developments include Morski Retail Park in TriCity and Galeria Kaskada in Szczecin.

Larger secondary cities

The stock of modern shopping centres in larger secondary cities (200,000 - 400,000 inhabitants) has increased significantly over the last three years. The average shopping centre density in these cities amounts currently to about 470 m² per 1,000 inhabitants. The highest shopping centre density among these cities is in Czestochowa.

In almost all of these cities there are projects in the pipeline. Construction works have already begun in Czestochowa, Radom and Kielce.

Medium-size cities

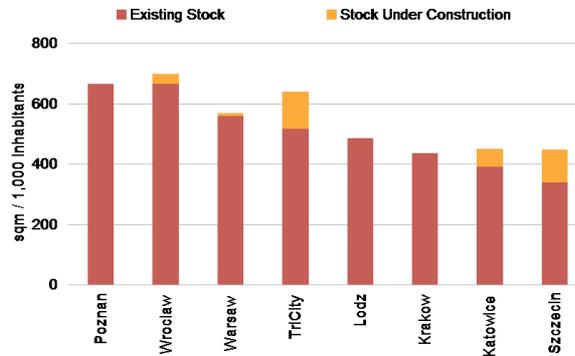
Among the cities of 100,000 - 200,000 inhabitants there are important regional cities such as Olsztyn, Gorzów Wielkopolski and Rzeszów. These cities usually have relatively wide catchment area as they include surrounding areas. Moreover, the distance to the closest alternative agglomeration often exceeds 100 km. The average provision of modern shopping centres in the medium-size cities is 620 m² per 1,000 inhabitants.

Smaller towns

The cities with less than 100,000 inhabitants are the most sensitive to the new supply and are currently the place of toughest competition among retail developers. In this group there are cities in which there is no existing modern shopping gallery, however, this will change in the coming two years, as a large proportion of the development pipeline will be located in smaller towns.

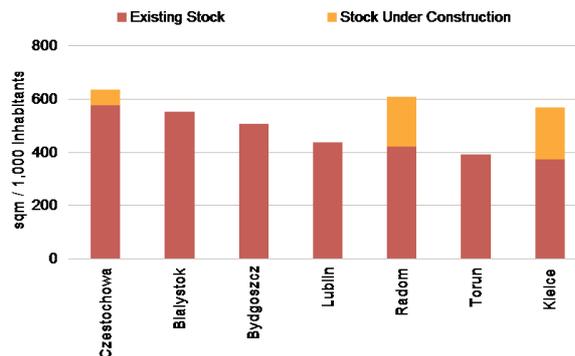
The average provision of modern shopping centre in smaller towns is approximately 315 m² per 1,000 inhabitants, however, there is a wide spread with densities up to 1,700 m² per 1,000 inhabitants.

Shopping Centre Density in Major Agglomerations (over 400,000 inhabitants)



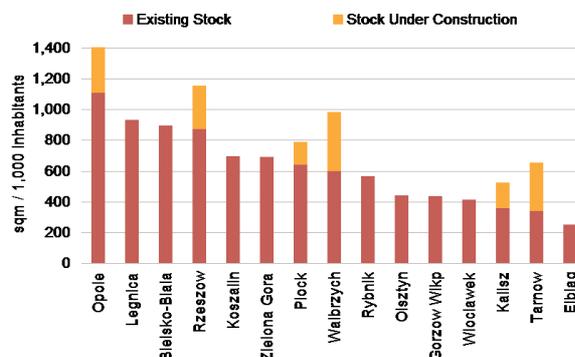
Source: Savills Research

Shopping Centre Density in Larger Secondary Cities (200,000 - 400,000 inhabitants)



Source: Savills Research

Shopping Centre Density in Medium-Size Cities (100,000 - 200,000 inhabitants)



Source: Savills Research

Rents and outlook

Rents

Following their consolidation in the second half of 2008 and in 2009, rents have stabilised in the first half of 2010. The first signs of rental growth may now be observed in leading regional shopping centres that are currently undergoing recommercialisation.

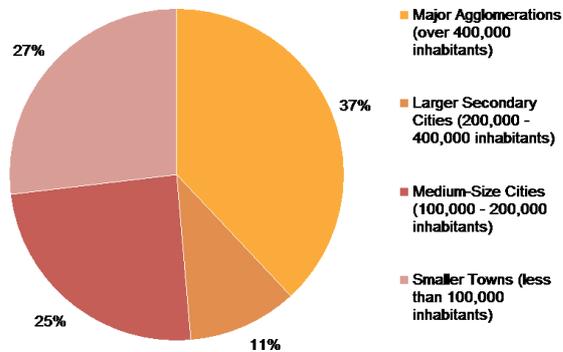
Prime rents for units of about 100 m² are currently EUR 60 / m² / month in Warsaw and EUR 40 – 55 / m² / month in other major regional Polish cities. Rents for medium size units usually range between EUR 25 – 40 / m² / month and rents for the largest units in retail parks remain stable and range between EUR 9 – 12 / m² / month.

Outlook

The average provision of shopping centre floorspace per 1,000 inhabitants remains moderate for Poland, which indicates further development potential for the coming years, supported by significant rise in purchasing power.

We expect developers to be active in major agglomerations focusing on large multi-functional projects and on much smaller convenience centres intended to serve local neighbourhood communities. Beside that, we anticipate developers to be active in medium-size cities and smaller towns focusing on projects of 8,000 - 25,000 m² GLA.

Distribution of shopping centres under construction



Source: Savills Research

Selected retail developments

PROJECT	CITY	GLA (m ²)
Focus Mall	Gliwice	65,000
Galeria Echo	Kielce	41,500
Galeria Amber	Kalisz	31,050
Galeria Olimpia	Belchatow	21,500

Source: Savills Research

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