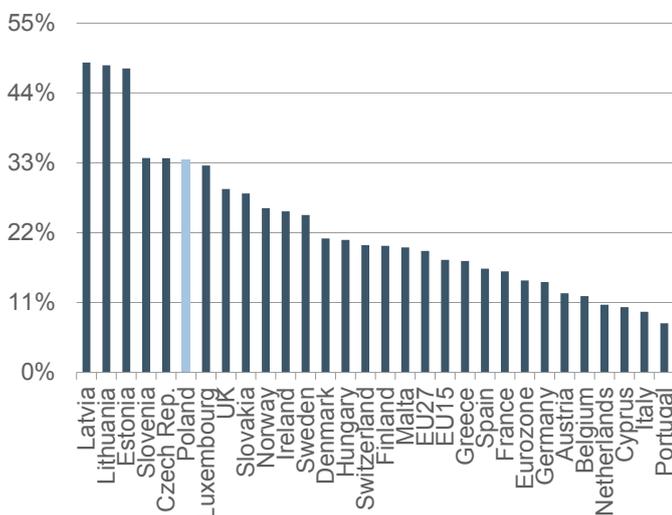


# Market in Minutes

## Poland retail market

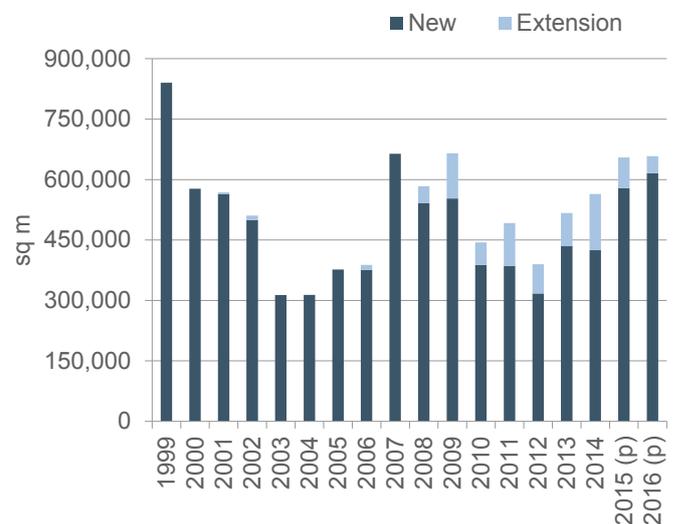
May 2014

GRAPH 1  
Retail sales growth in Europe 2013 - 2023



Graph source: Oxford Economics

GRAPH 2  
New supply of retail space



Graph source: Savills

## SUMMARY

### Overview

- Modern retail stock exceeded 10.88 million sq m in May 2014.
- Demand for retail space remains positive.
- Ca. 190,000 sq m of retail space was delivered to the market since January 2014.
- Further announcements of brands withdrawing from Poland.
- Over 735,000 sq m of retail space is under construction Poland-wide.
- Retail sales growth of 2.9% is expected in 2014, up from 2.5% in 2013.
- Development of smaller, convenience centre type schemes is gaining in popularity.
- Internet shopping is more and more popular but e-commerce share in retail sale is still lower than in Western European countries.
- Approximately 20% of retail space is under construction in counties (poviats) with less than 100,000 inhabitants.

“Modern retail stock is now over twice higher than ten years ago. New formats are now being developed like convenience centres, strip malls and small retail parks, showing maturing of the retail market in Poland”

Brian Burgess, Head of Central Europe

→ **Economy**

In accordance with Central Statistical Office preliminary data from May 2014 GDP grew by 1.1% during the first quarter of 2014 compared to the previous quarter whereas year-on-year growth was 3.5%. GDP growth recorded both in the Eurozone (18 countries) and European Union (28 countries) was lower at 0.2% and 0.3% q-o-q respectively and 0.9% and 1.4% y-o-y.

2013 GDP growth of 1.6% ranked Poland fifth among 28 European Union countries, behind Latvia, Lithuania, Malta and United Kingdom.

The Polish economy is expected to accelerate to 2.7% in 2014 and to 3.2% in 2015 as shown in the Oxford Economics forecasts from late March this year. Expected growth for 2014 is 1.4% in the EU-27 and 1.0% in the Eurozone whereas in 2015 they are projected at 1.7% and 1.4% respectively.

Poland is slowly catching up with its Western counterparts in terms of wealth. In 1995 Poland's GDP per capita was 43% of the EU average, ten years later, in 2005, it was 51% and in 2012 – 67%.

Economic slowdown has affected retail sales. Retail sales in constant prices grew by 2.5% y-o-y in 2013, which was slightly higher than in the previous year but still much lower than in 2011 when it reached 7.3%. Growth of 2.9% is expected in 2014 followed by 3.3% in 2015. Over the long term the outlook is also positive with 10-year

“Growing importance of e-commerce and high development activity are some of the most important factors for developers and owners to consider. Maintaining the centre’s attractiveness for customers despite that becomes one of the key issues in centre’s management.”

Michał Muc, Savills Property Management

(2013-2023) forecast of 37.9% or 3.3% per annum, the highest growth rate amongst all major European economies and well above the EU-27 and Eurozone averages of 19.1 % and 17.7% respectively.

**Supply**

Total modern retail stock in Poland exceeded 10.88 million sq m of which almost 81% is located in shopping centres. Ca. 36% of the stock is located in five largest cities (above 500,000 inhabitants: Warsaw, Krakow, Lodz, Wroclaw and Poznan), whereas 39% is in counties (poviats) of below 200,000 inhabitants.

Development activity is high with almost 190,000 sq m of retail space completed so far this year. Almost 80% of that accounted for in four shopping centres: Atrium Felicity in Lublin (75,000 sq m), Galeria Siedlce (35,000 sq m), Galeria Amber in Kalisz (33,500 sq m) and Pogodne Centrum in Olesnica (7,000 sq m).

Over 735,000 sq m of retail space is under construction across Poland, of which 627,000 sq m is in shopping centres. Approximately 402,000 sq m of this will be completed by 2014-year end. Ca. 41% of space under construction is located in only seven cities (Bydgoszcz, Gdansk, Katowice, Lodz, Lublin, Poznan and Wroclaw) which proves developers confidence in major retail hubs in the country. Another 20% of space under construction is located in poviats of up to 100,000 inhabitants.

The largest developments are Forum Radunia in Gdansk (60,000 sq m) to be delivered in Q4 2015, Zielone Arkady in Bydgoszcz (48,000 sq m) due in Q4 2015, Sukcesja in Lodz (42,500 sq m) due in Q1 2015 in Lodz, Tarasy Zamkowe in Lublin (38,000 sq m) due in Q2 2015 and the extension of Bielany Retail Park in Wroclaw (35,500 sq m) to be completed next year.

GRAPH 3

**Retail stock vs. average salaries**



Graph source: Savills, Central Statistical Office

In line with growing competition existing schemes need to be refurbished, redeveloped and enlarged in order to stay attractive for both customers and tenants. Over 130,000 sq m of space under construction accounts for extensions of existing schemes eg. Ogrody in Elblag (22 500 sq m), Magnolia Park in Wroclaw (20,000 sq m) and Copernicus in Torun (16,000 sq m).

The average provision of retail space across Poland is 283 sq m/1,000 inhabitants, whereas in major cities of above 500,000 inhabitants is 901 sq m/1,000 inhabitants compared to 822 sq m/1,000 people in cities between 300,000 and 500,000 inhabitants.

in: Kielce (8.5%), Torun (5.7%), Bydgoszcz (5.2%) and Bialystok (5.1%).

### Demand

Continued positive demand for retail space is shown by the low vacancy rates. There are a number of new brands and new concepts launched to the market. New brands usually choose the prime retail schemes to open their first stores. Samsung Brand Store and Bering opened their stores in Akradia, Hollister in Galeria Mokotów, Louis Vuitton in vitKac, E-Go', Armani Jeans in Plac Unii City Shopping and Helly Hansen in Galeria Katowicka. Other new brands in Poland are SAM 0-13 (Galeria

“Developers confidence in Poland is proven by high development activity with 735,000 sq m of retail space under construction Poland wide.”

Maciej Medrek, Savills Retail Agency

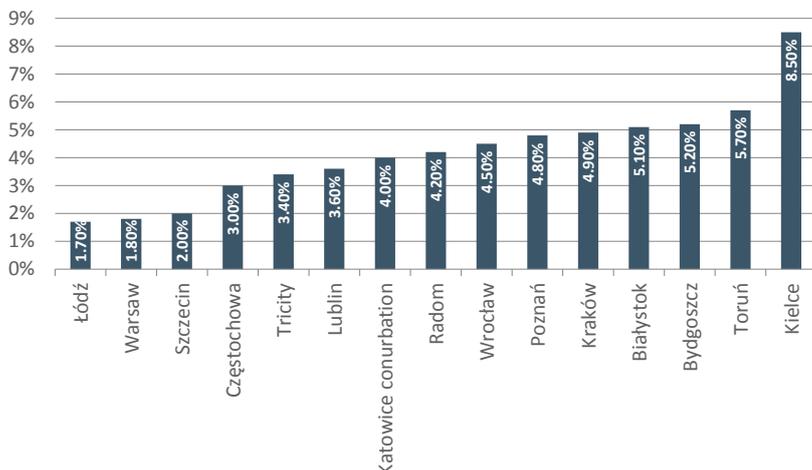
### Vacancy

In accordance with the most recent survey conducted in December 2013 by the Polish Shopping Centre Council in cities of above 200,000 inhabitants (227 shopping centres with a total GLA of ca. 6.8 mln sq m) the average vacancy rate was 3.5% reflecting a growth of 0.5 percentage points year-on-year. The highest vacancy rates were recorded

Rembielinska), Original Marines (Blue City) and Sports Direct (Europa Centralna).

Apart from newcomers, there are also new concepts developed by brands that are present in Poland for some time, e.g. H&M opened its first H&M Home store, LPP Group introduced a new brand Sinsay. Mega Abra and Komputronik Megastore are new concepts that will occupy larger units in shopping centres while

GRAPH 4 Average vacancy rate\* in 15 largest cities



Graph source: Savills, Polish Shopping Centre Council (February 2014) \*existing centres only

## Footfall

### E-commerce growth affecting shopping centre footfall

In accordance with the latest Experian's footfall index data published in April 2014 it is visible that shopping centre footfall is weakening. There was a 6.2% negative growth year-on-year when the cumulative index for January-April 2014 is considered.

Cumulative data for 2013 shows, however, a smaller decline of -4.0% compared to 2012 footfall index. The decrease of footfall index should be explained not only with the economy, consumer confidence and the growth of retail stock in the country. The other important factor is the growth of e-commerce in Poland, which was estimated at ca. 20% in 2013 and is expected to grow by ca. 14-15% per annum by 2015. The two-digit growths will also have an impact on the country's economy as in 2015 e-commerce share in the GDP is expected to reach 4.1% compared with 2.7% in 2009.

## Retail formats

### Evolving shopping centres, new smaller formats

Since the first large scale retail scheme was developed in Poland a lot of things have changed. As the market is becoming more mature retail formats have evolved from hypermarket anchored shopping centres with limited fashion offer into large, multifunctional shopping centres with supermarket, wide retail offer and large leisure content.

Larger schemes are still developed in the major cities. However, smaller counties (poviats) of up to 50,000 inhabitants (there are 72 of them across Poland) constitute an important target for developers and although they are not suitable for large schemes with wide retail offer and significant leisure content, their potential cannot be neglected.

We may now observe a growing interest of developers in those smaller towns as well as in 'holes' that still can be identified in larger cities with the potential for smaller retail parks, strip malls or convenience centres dedicated to provide a day-to-day retail offer and basic services to local communities. Among the leading developers focused on this sector of the market there are: Budner (Shopin concept), Dekada Realty, Elbfonds (Marcredo schemes), Katharsis Development (HopStop) or Capital Park (Vis a Vis strip malls).

→ Decathlon Easy will occupy smaller units and is to be developed in cities above 50,000 inhabitants. Also Empik launched Empik Express dedicated to smaller cities.

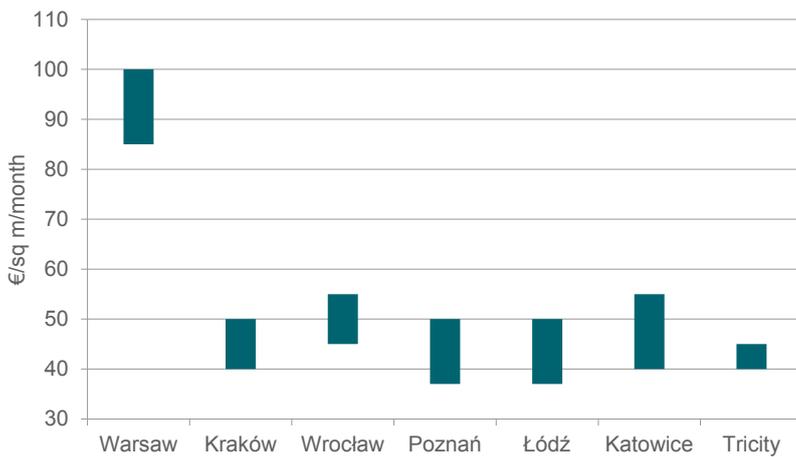
On the other end of the market there are brands that decided to leave the Polish market e.g. Jackpot & Cottonfield, Marrionaud, Charles Vogele, Flo and Peacock.

### Rents

Prime retail rents for units of ca. 100 sq m dedicated for fashion retailers are the highest in Warsaw. In the best shopping centres tenants can expect

headline rents at EUR 80 – 95 per sq m/month whereas in other cities there are approximately half those in the best shopping centres in Warsaw. The highest monthly rents in regional cities are recorded in Katowice and Wrocław, up to EUR 55 per sq m/month. Prime rents in Krakow range between EUR 40 – 50 per sq m/month. In TriCity prime rents are in the range of EUR 40-45 per sq m/month, whereas in Lodz and Poznan prime headline rents vary from EUR 35 to 50 per sq m/month. ■

GRAPH 5 **Prime shopping centre headline rents\* in major cities**



Graph source: Savills \*standard units of approx. 100 sq m

## E-commerce

### Dynamic growth of on-line sales in Poland

It is estimated that the e-commerce market in Poland was worth over PLN 26 billion in 2013, having grown by ca. 20% year-on-year. It is expected, that this year the value of the Polish e-commerce market will exceed PLN 30 billion.

In 2013 e-commerce accounted for ca. 4% of country's total retail sales. Compared to other European countries it is still relatively low, e.g. in Great Britain it is almost three times higher (and is still rising) which indicates significant growth potential for the sector.

Books, electronic equipment, clothes, shoes and accessories and FMCG products are the most popular products bought on-line in Poland.

More leading retail brands are operating also via e-shops, e.g. the share of e-shopping in total Reserved's sales is at 2-3%, however, it is expected to increase to 10% in the next few years. Other retailers with e-shops include: C&A, H&M, Tatum, Aryton, Bialcon, Zara, Orsay and many others. Also multi-brand e-stores like Zalando, PerhapsMe and Answear are becoming more popular.

## Savills contacts

Please contact us for further information



**Brian Burgess**  
Head of Central Europe  
+48 (0) 22 222 4004  
bburgess@savills.pl



**Michal Muc**  
Director, Property Management  
+48 (0) 22 222 4054  
mmuc@savills.pl



**Maciej Medrek**  
Senior Negotiator  
Retail Agency  
+48 (0) 22 222 4006  
mmedrek@savills.pl



**Michal Stepień**  
Senior Consultant,  
Research & Consultancy  
+48 (0) 22 222 4039  
mstepien@savills.pl



**Wioleta Wojtczak**  
Senior Consultant,  
Research & Consultancy  
+48 (0) 22 222 4038  
wwojtczak@savills.pl

#### Savills plc

Savills is a leading global real estate service provider listed on the London Stock Exchange. The company established in 1855, has a rich heritage with unrivalled growth. It is a company that leads rather than follows, and now has over 200 offices and associates throughout the Americas, Europe, Asia Pacific, Africa and the Middle East.

This report is for general informative purposes only. It may not be published, reproduced or quoted in part or in whole, nor may it be used as a basis for any contract, prospectus, agreement or other document without prior consent. Whilst every effort has been made to ensure its accuracy, Savills accepts no liability whatsoever for any direct or consequential loss arising from its use. The content is strictly copyright and reproduction of the whole or part of it in any form is prohibited without written permission from Savills Research.