

# POLAND RETAIL DESTINATIONS

2011 EDITION



**CBRE**

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Retail in Poland	4
Warsaw	6
Upper Silesia	8
Wroclaw	10
Poznan	12
Tri-City	14
Krakow	16
Lodz	18
Szczecin	20
Retail Investment	22
Market Practice and Definitions	23

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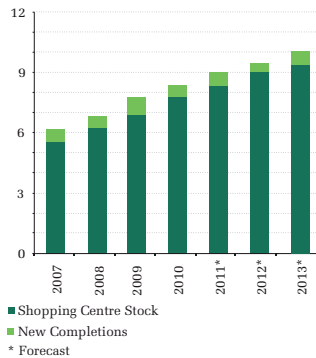
# RETAIL IN POLAND



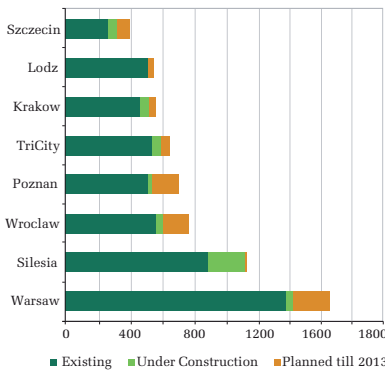
## GENERAL OVERVIEW

The Polish retail market is again back on a fast development track. The buoyant consumer market in Poland stands out among other European economies that have been tormented by a number of structural difficulties. A considerable retail pipeline and the good overall performance of the Polish retail sector combined with the weakening zloty is encouraging new entrants and investors alike who are browsing the market in search of new opportunities.

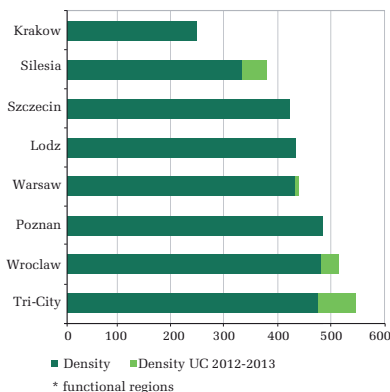
## SHOPPING CENTRE STOCK IN POLAND (million sq m)



## SHOPPING CENTRE STOCK IN MAJOR CITIES ('000 sq m)



## SHOPPING CENTRE DENSITY IN MAJOR CITIES\* (sq m per 1,000 inhabitants)



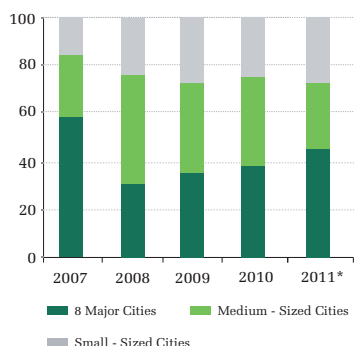
## RETAIL STOCK

At the end of H1 2011 shopping centre stock in Poland amounted to 8.5 million sq m located in 370 schemes, of which 24 (10% in terms of GLA) were specialized shopping formats (18 retail parks and 6 factory outlets). With 225 sq m of GLA per 1,000 residents and weak high streets, the modern retail network in Poland remains incomplete and offers further development potential.

After the record-breaking stock completions recorded in 2009 reaching 830,000 sq m of GLA, 2010 was substantially more moderate with only 360,000 sq m of new GLA coming to the market. Approximately 550,000 sq m of GLA is expected in 2011, of which 250,000 sq m of GLA has already been delivered. In the last 18 months the market has seen almost exclusively the delivery of small and medium sized projects, with only three of new completions reaching above 40,000 sq m of GLA, namely Galeria Victoria in Walbrzych, Gemini Park in Tarnow and Galeria Sloneczna in Radom. Medium and small cities have dominated the pipeline with only 27% of new stock being completed in one of eight large centres of Poland. Large cities continue to dominate the stock in Poland with some 55% of the total retail offer, but the balance is currently shifting.

The emergence of secondary and tertiary markets has changed the retail market considerably. A distinctive new group of developers, specialising mainly in these markets are seeking to increase their portfolios often via a very successful proliferation of one retail concept. However, simultaneous with the competition for the best market share in the secondary and tertiary markets, large cities are bouncing back with a number of sophisticated schemes currently under construction, such as Neinver's Galeria Katowicka, ECE's Galeria Kaskada in Szczecin or Wolf Immobilien's Wolf Bracka in Warsaw.

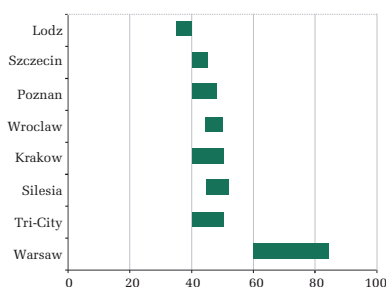
### SHOPPING CENTRE COMPLETIONS (%)



### QUICK STATS POLAND PROGNOSIS FOR 2012

<b>SUPPLY</b>	↗
<b>DEMAND</b>	↗
<b>VACANCY</b>	→
<b>RENTS</b>	→
<b>YIELDS</b>	→

### PRIME SHOPPING CENTRE RENTS IN Q2 2011 (EUR/SQ M/MONTH)



### RETAIL STOCK cont.

The Warsaw retail market is increasingly demand-driven. The combination of macroeconomic conditions and the current stage of market development, unmatched by any other economy in Europe, together with the continued weak representation of international brands, all act in favour of the further development of the Polish retail market. Warsaw remains the natural entry point for the majority of newcomers. Warsaw's new stores for CH Carolina Herrera, Dorothy Perkins, and Amy Gee have all opened in the last nine months, representing their first stores in Poland. Other retailers, such as LC Waikiki, Giovanni Galli, Maserati and Dyptique are also entering the market and are actively securing premises for their first stores.

Our recent research 'How Active are Retailers in EMEA?' indicates that Poland is, only after Germany, the second destination of choice for retailers, who plan to expand in the EMEA region.

### RETAIL RENTS

Warsaw remains the most expensive retail location in Poland with prime rents at about EUR 75 - 90 /sq m/month (for the best unit of approximately 100 sq m and located in a prime shopping centre or high street) with upwards pressure continuing. Prime rents in other large cities of Poland are more moderate and reach up to EUR 40 - 55 /sq m/month. Average rents in Warsaw remain at EUR 25 - 35 /sq m/month. Service charges in the best shopping centres are at the level of EUR 7 - 10 /sq m/month while on average they reach EUR 5 - 7 /sq m/month. However, despite stabilising prime rental levels there is strong pressure on incentives, such as capital contributions towards shop fitting and rent-free periods, as well as turnover rents instead of set (or combined with lower) monthly payments.

# WARSAW



## GENERAL OVERVIEW

As the prime business hub of Central and Eastern Europe, Warsaw continues to develop dynamically. Being the political, business, and cultural centre of Poland, Warsaw encompasses some 1.7 million (registered) inhabitants living within the city's administrative boundaries and 3.2 million within its functional region, making it one of the most populated urban regions in CEE. The performance of the Warsaw retail market remains unsatisfied and demand-driven. As with 2010, the 2011 pipeline remains extremely limited in relation to the consistently strong demand, leading to the situation where vacancies are negligible, not only in prime properties but also in other retail schemes. H1 2011 Retail Research Forum's analysis estimates vacancy levels in Warsaw at below 1%, and undersupply is already pushing rental levels up, as the evidence of growing rents for both prime and other premises is increasing. We expect that the Warsaw retail market in the foreseeable future (2011 – 2013) will be demand-driven as the new pipeline remains extremely restricted. Low vacancies and rents under upwards pressure create good investment conditions.

### ZŁOTE TARASY SHOPPING CENTRE



### ARKADIA SHOPPING CENTRE



### WARSAWA WILENSKA RETAIL CENTRE



## RETAIL STOCK

With 1.37 million sq m of modern retail space, the Warsaw retail market remains the largest in Poland, but it currently shows clear symptoms of undersupply. 2010 saw only one completion of a Tesco scheme at Fieldorfa St. (16,000 sq m), while 2011 will see the completion of only two small retail schemes. Wolf Bracka, a 12,000 sq m GLA department store, is currently in the final stage of construction with the completion date being notoriously postponed. Given the difficulty in commercialisation of such a prime scheme, with the number of upmarket tenants rumoured already to be signed into the project, its delivery date has again changed from the current one assigned for autumn this year. The second major project under construction is Plac Unii, a JV of BBI Development and Liebrecht&wood, to become a mixed-use structure with over 50,000 sq m that is to offer 15,300 sq m of GLA. The delivery deadline of almost all retail projects planned in Warsaw remains uncertain and several of them are for the time being suspended or postponed, indicating the persistent difficulties of developers in securing development financing, despite strong market fundamentals.

## RETAIL RENTS

Warsaw is the most expensive retail location in Poland, with prime rents at about EUR 75 - 90 /sq m/month (for the best unit of 100 sq m, located in a prime shopping centre). A gradual increase in rental levels is being recorded. Average rents are at EUR 30 - 45 /sq m/month. The lack of available retail space, especially in the city centre, acts as a catalyst, increasing the upwards pressure on rents. Service charges in Warsaw shopping centres are at the level of EUR 7 - 10 /sq m/month. In the retail parks rental rates and service charges for units of approximately 1,000 sq m remain in the range of EUR 10 - 12 and EUR 3 - 5 /sq m/month respectively. High street rents for the best units range between EUR 70-90 /sq m/month, remaining the highest in the country but at the same time being one of the lowest among the other capital cities of Europe.

## WARSAW'S RETAIL MARKET IS STRONG DEMAND DRIVEN

### QUICK STATS WARSAW PROGNOSIS FOR 2012

<b>SUPPLY</b>	→
<b>DEMAND</b>	↗
<b>VACANCY</b>	→
<b>RENTS</b>	↗
<b>YIELDS</b>	→

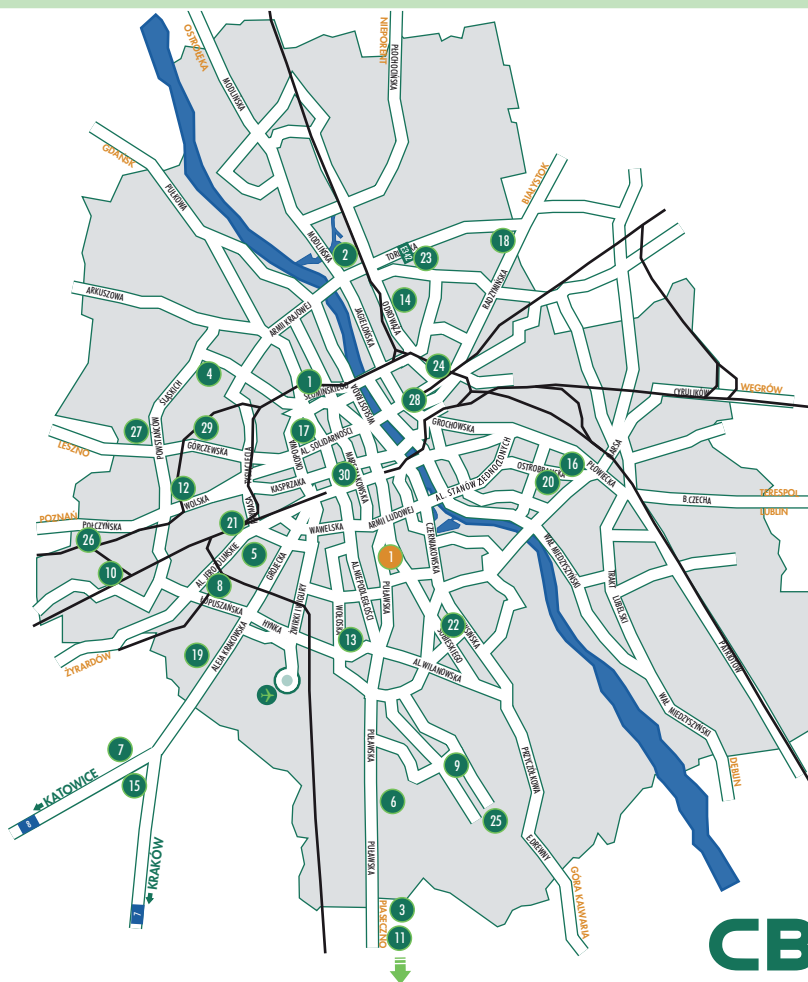
## SELECTED RETAIL SCHEMES IN WARSAW

### EXISTING

No	Project	No	Project
1	Arkadia	16	King Cross
2	Auchan Modlinska	17	Klif
3	Auchan Piaseczno	18	M1 and Targowek RP
4	Bemowo Centre	19	Krakowska 61
5	Blue City	20	Promenada
6	Centrum Ursynow	21	Reduta
7	Centrum Janki	22	Sadyba Best Mall
8	E. Leclerc, Jutrzenki	23	Targowek and Zielony
9	E. Leclerc, Ciszewskiego	24	TESCO Stalowa
10	Factory Outlet Center	25	TESCO KEN
11	Fashion House Piaseczno	26	TESCO Polczynska
12	Fort Wola	27	TESCO Gorczewska
13	Galeria Mokotow	28	CH Wilenska
14	Galeria Rembielinska	29	Wola Park
15	Janki Retail Park	30	Zlote Tarasy

### UNDER CONSTRUCTION

- 1 Plac Unii



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# UPPER SILESIA



## GENERAL OVERVIEW

The Upper Silesia Agglomeration encompasses some 2.8 million people living in Katowice, Gliwice, and Sosnowiec, alongside a number of other cities. This second largest urban hub of Poland, after Warsaw, is now an area of dynamic retail market development. With the ongoing economy's transformation towards the service sector and one of the highest average income levels in Poland the Silesia region is likely to feature more prominently on the Polish retail map in the future.

### GALERIA KATOWICKA



## RETAIL STOCK

The Silesia Agglomeration currently offers 909,000 sq m of modern retail stock, having the second largest retail space volume in Poland, after Warsaw. Silesia City Centre continues to hold the reputation as the most popular retail destination of the region, but a number of competitors have arisen, with Neinver's Galeria Katowicka, currently constructed, at the lead.

### M1 CZELADZ



With the ageing shopping centre offer concentrated primarily in medium and large schemes the region boasts a relatively high vacancy ratio, estimated to be currently at around 3%. However, the Silesia market still boasts significant prime retail development opportunities both in terms of new locations (Tarnowskie Gory, Tychy) as well as the concepts (e.g. convenience centres in a number of neighbourhoods). Helical's Europa Centralna in Gliwice and Galeria Katowicka are the two largest currently constructed schemes, framing the spectrum of Silesia's retail formats between the large retail park and the inner-city gallery focused on railway commuters. The completion of Galeria Katowicka in 2013 will mark a threshold on the Silesia retail market, but instead of competition with Silesia City Centre we expect coexistence between the two schemes similar to that of Zlote Tarasy and Arkadia in Warsaw within this ever expanding consumer market.

### FORUM GLIWICE



## RETAIL RENTS

Prime rental rates in schemes such as Galeria Katowicka as well as the Silesia City Centre extension are currently at a level of EUR 45 – 55 /sq m/month. Service charges are between EUR 5 – 8 /sq m/month. Rents for units in retail parks range from EUR 9 – 11 /sq m/month. The high street retail rents have seen some declines to the current EUR 18 – 45 /sq m/month.

## RANGE OF RETAIL FORMATS IN SILESIA IS EXPANDING

## SELECTED RETAIL SCHEMES IN UPPER SILESIA

### EXISTING

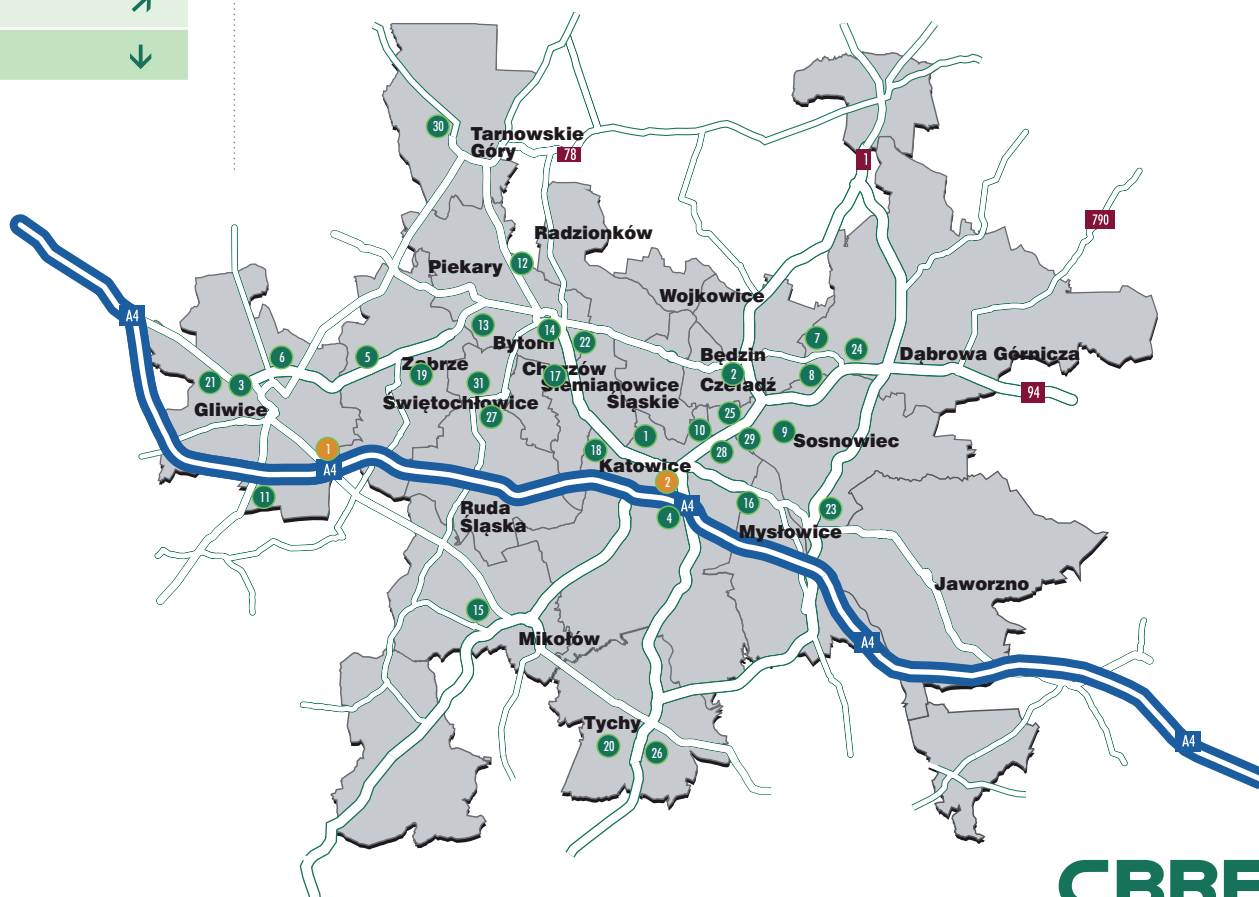
No	Project	No	Project
1	Silesia City Center	16	Real Myslowice
2	M1 Czeladz	17	Tesco Bytom
3	Arena Gliwice	18	Auchan Katowice
4	3 Stawy Katowice	19	Platan Zabrze
5	M1 Zabrze	20	Centrum Skalka
6	Forum Gliwice	21	Tesco Gliwice
7	Pogoria Dabrowa Gornicza	22	AKS Chorzow
8	Auchan Sosnowiec	23	Fashion House Sosnowiec
9	Plejada Sosnowiec	24	Real Dabrowa Gornicza
10	Rawa Retail Park Katowice	25	Centrum Sosnowiec
11	Auchan Gliwice	26	Tesco Tychy
12	M1 Bytom	27	Plaza Ruda Slaska
13	Plejada Bytom	28	Dabrowka
14	Agora Bytom	29	Plaza Sosnowiec
15	Auchan Mikolow	30	Tesco Tarnowskie Gory

### UNDER CONSTRUCTION

1	Europa Centralna Retail Park	2	Galeria Katowicka
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### QUICK STATS UPPER SILESIA PROGNOSIS FOR 2012

SUPPLY	↗
DEMAND	↗
VACANCY	→
RENTS	↗
YIELDS	↓



# WROCLAW



## GENERAL OVERVIEW

With 630,000 residents, Wroclaw is the key business and cultural hub of Dolnoslaskie Voivodship. As many as 1.2 million people live within the city's agglomeration. Over the last decade Wroclaw has come at the top of the rankings of Polish cities in terms of the quality of business environment and became a destination of choice for many domestic and foreign investors, largely due to the proactive and open policies of the City Hall led by Rafal Dutkiewicz. The diversity of Wroclaw's economy, with a strong manufacturing sector as well as high quality academic offer, create good fundamentals for Wroclaw's long term economic viability.

### SKY TOWER



## RETAIL STOCK

Wroclaw's retail offer consists of 18 modern retail schemes providing approximately 506,000 sq m of GLA in total. With nearly 480 sq m of shopping centre space for every thousand inhabitants, in terms of density Wroclaw's retail offer is the second most developed, after Tri-City, among the leading Polish markets.

The shopping centre offer is complemented with other formats as well as relatively well developed high street retailing. The traditional high street in Wroclaw is Swidnicka Street. The Old Town, Wroclaw's main tourist attraction, boasts service, leisure and tourist offers with many restaurants and cafes, art galleries and bank branches. Bielany Hub with Bielany Retail Park is another established Wroclaw retail destination.

### GALERIA DOMINIKANSKA



The shopping centre stock in Wroclaw nearly doubled between 2007 and 2008, when some 202,000 sq m GLA was added to the market in six shopping centres. Retail development slowed down in 2009 and the last year the only the addition was the renovated and extended Renoma department store. The most recent addition to the stock is Family Point, a Praktiker – anchored shopping centre at Krakowska Street, that has been in operation since Q1 2010.

### OLD TOWN IN WROCLAW



Despite relatively high shopping space density, Wroclaw's retail potential is still perceived as strong by many developers who are either constructing or planning new developments. The 18,000 sq m of GLA in Sky Tower is currently under construction, while 20,000 sq m in Magnolia's second phase should be started soon.

## RETAIL RENTS

Prime shopping centre rents for units of approximately 100 sq m are at the level of EUR 45 – 50 /sq m/month. Rents for units of 1,000 sq m in retail parks, remain at EUR 8 - 10 /sq m/month. The rental levels for high street units range between EUR 45 – 62 /sq m/month.

## WROCLAW'S RETAIL PROVISION IS STILL EXPANDING

### QUICK STATS WROCLAW PROGNOSIS FOR 2012

SUPPLY	↗
DEMAND	→
VACANCY	↗
RENTS	→
YIELDS	→

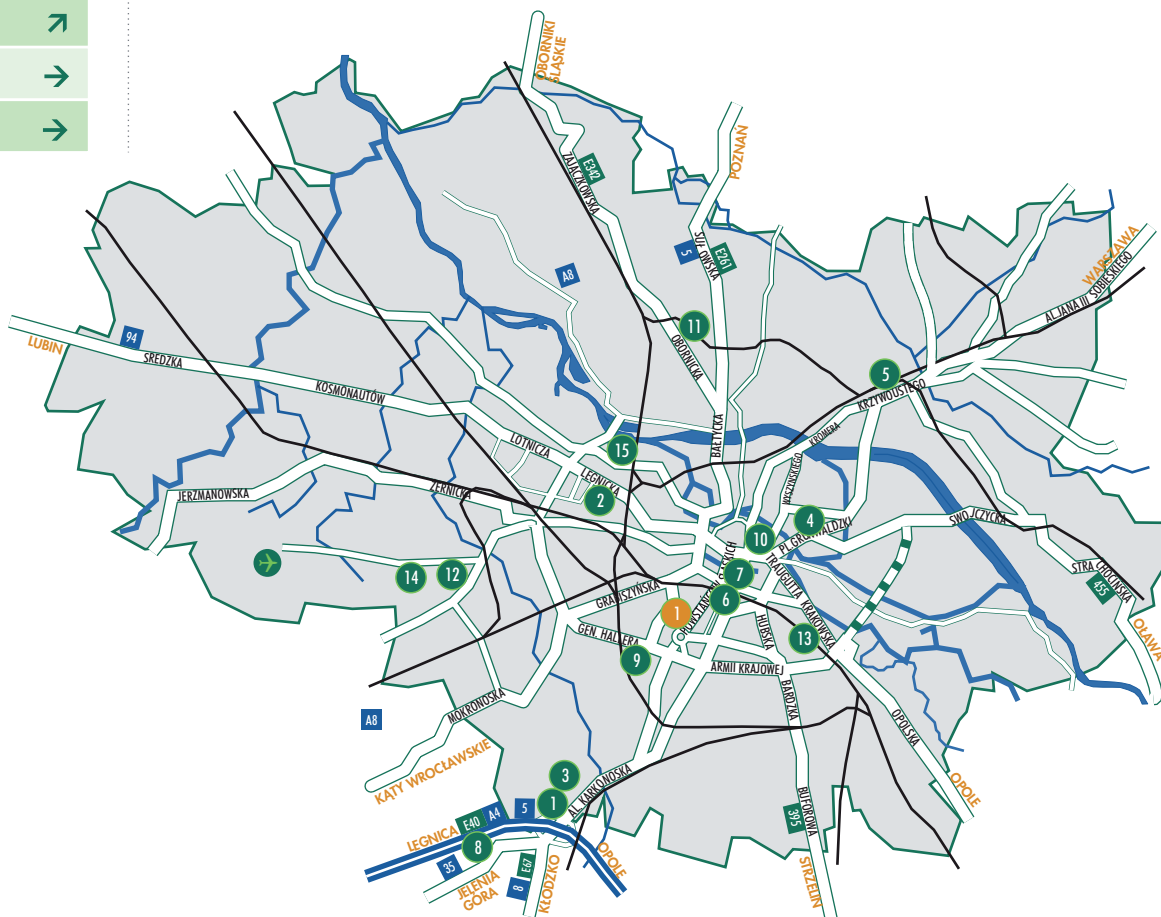
## SELECTED RETAIL SCHEMES IN WROCLAW

### EXISTING

No	Project	GLA (sq m)
1	Bielany Retail Park	84,200
2	Magnolia Park	74,000
3	Auchan Bielany	56,000
4	Pasaz Grunwaldzki	50,000
5	Korona	46,000
6	Arkady Wroclawskie	32,000
7	Renoma	31,000
8	Tesco Czekoladowa	30,000
9	Borek	27,000
10	Galeria Domnikanska	24,000
11	Marino	18,800
12	Futura Park	18,000
13	Family Point	16,000
14	Factory Outlet	13,600
15	Tesco Długa	13,300

### UNDER CONSTRUCTION

1	Sky Tower	18,000
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# POZNAN



## GENERAL OVERVIEW

Home to some 550,000 residents, Poznan is a well established trade, exhibition and business centre of the country's western regions and the entry-point of choice for many German-speaking producers and outsourcers. Poznan's economy represents the third strongest functional region of Poland (after Warsaw and Silesia Agglomeration) in terms of economic performance. Poznan's agglomeration is home to over 1,1 million people.

### FRANOWO CENTRE



## RETAIL STOCK

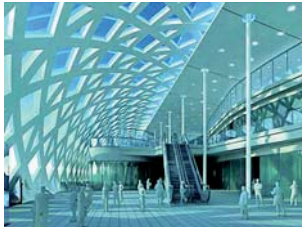
With no additions to the market in 2010, the last significant stock extension was the opening of the 54,000 sq m of GLA Galeria Malta in 2009. The overall retail provision has reached about 530,000 sq m, of which nearly 60,000 sq m is located in two specialized schemes – Neinver's Factory Outlet and Inter IKEA's Centrum Franowo, including its 14,000 sq m extension. Neinver's Galeria Malta, located in the vicinity of Malta Lake in Poznan, is among the best retail schemes in Poland and, in terms of overall retail offer and standard, it stands alongside with Stary Browar – so far the best in the city and an often awarded retail concept.

### STARY BROWAR



The city boasts a retail density of about 960 sq m of retail space per every 1,000 inhabitants and 480 sq m of retail space per 1,000 inhabitants in terms of the agglomeration. Poznan is by far the best provisioned city of Poland in terms of the retail space volume. Retail stock in the city will grow further upon the completion of Inter IKEA's Bulwary Poznanskie - a 70,000 sq m of GLA retail park, scheduled for 2012. Other planned large retail projects include the 85,000 sq m Apsys' Lacina and 50,000 sq m Echo Investment's Metropolis.

### POZNAN GLOWNY



Despite significant retail development activity market niches persist, as the construction of small, convenience-type formats could potentially be more appropriate in some local neighbourhoods. Also, the provision of quality high street units in Poznan remains very limited, as the market is dominated by large-scale retail developments. The city's Old Town is the main traditional retail zone.

## RETAIL RENTS

Prime retail rents for units of approximately 100 sq m in shopping centres are currently at the level of EUR 40 – 48 /sq m/month. Rents for the best high street retail units are currently at EUR 36 – 46 /sq m/month.

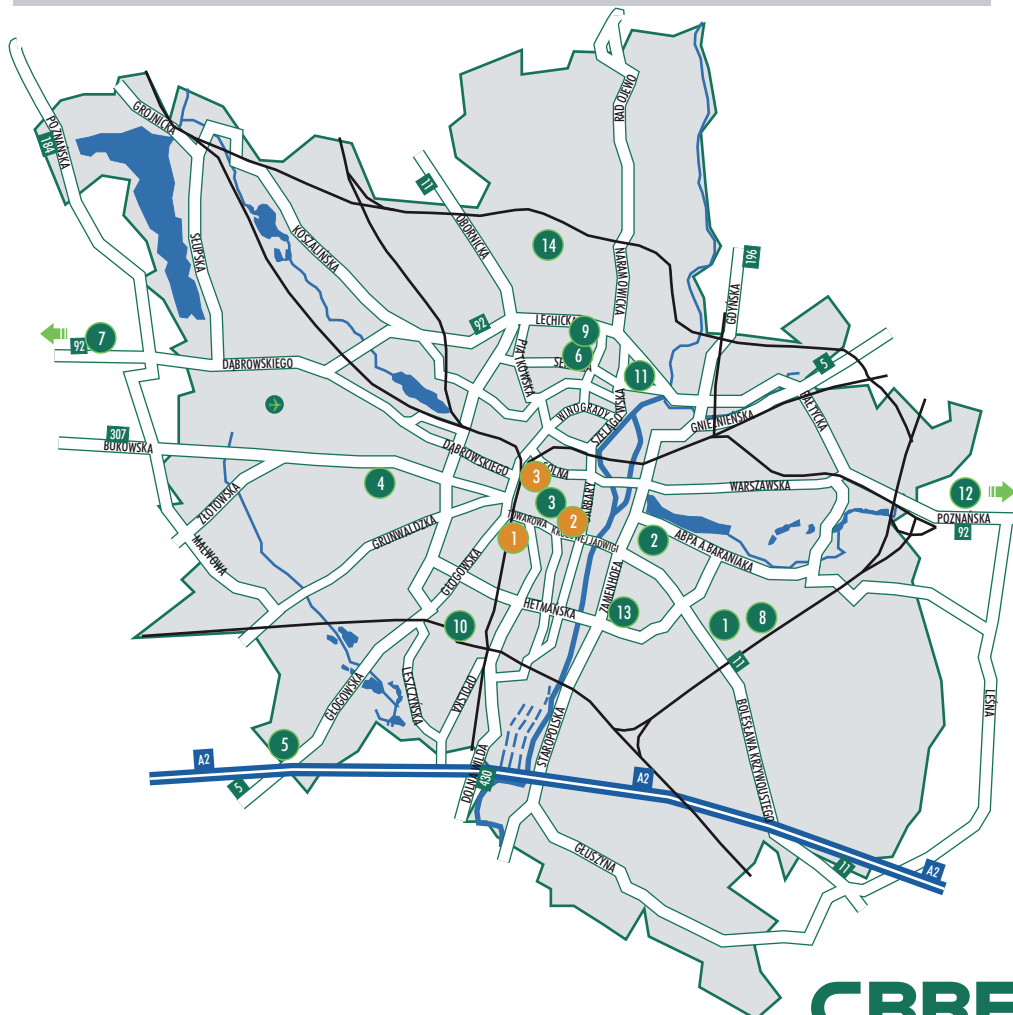
## POZNAN'S CITY CENTRE OFFER IS IMPROVING

### QUICK STATS POZNAN PROGNOSIS FOR 2012

SUPPLY	↗
DEMAND	↗
VACANCY	→
RENTS	→
YIELDS	↘

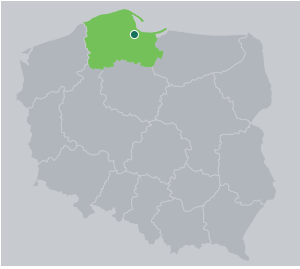
## SELECTED RETAIL SCHEMES IN POZNAN

EXISTING		
No	Project	GLA (sq m)
1	Centrum Franowo	57,000
2	Malta	54,000
3	Stary Browar	47,500
4	King Cross Marcelin	45,600
5	Auchan Komorniki	44,500
6	Galeria Pestka	42,500
7	Auchan Swadzim	42,000
8	M1	41,600
9	Plaza Poznan	29,520
10	Panorama	23,300
11	Tesco	22,300
12	ETC Swarzedz	20,900
13	Pasaz Rondo	18,000
14	Tesco	17,200
UNDER CONSTRUCTION		
1	Poznan Glowny	58,900
2	Pasaz MM	16,100
3	Polwiejska 2	6,300



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# TRI-CITY



## GENERAL OVERVIEW

The Tri-City agglomeration is composed of Gdansk, Gdynia and Sopot that jointly host a population of close to 745,000 residents with 1.2 million people living in the whole agglomeration. Tri-City remains the most important industrial, educational and cultural hub of the northern part of Poland. The region is now going through a transition period, with the historically strong marine industry now in recess, being increasingly replaced by the service sector as well as urban tourism and Baltic seaside leisure industry. The hotter than ever summers of the last decade have played an important role in that structural shift. The residential sector in the city is booming, with second home developments being increasingly popular among Poles and other north Europeans alike.

### BATORY RETAIL CENTRE



## RETAIL STOCK

The Tri-City retail market in 2010 has seen only two minor completions that added nearly 11,000 sq m to the modern retail stock, currently totalling to around 530,000 sq m of GLA in 26 retail schemes. The current volume of stock translates into a density of 720 sq m for every 1,000 inhabitants for the city and 430 sq m per 1,000 inhabitants for the agglomeration, positioning Tri-City among the better provisioned urban centres of Poland.

### GALERIA BALTYCKA



The high street retailing is concentrated along Długa Street in Gdansk's Old Town, but the area is dominated by banks and service units or tourist focussed offer. Gdansk hosts the largest, internationally known seasonal market in Poland, known as Jarmark Dominikanski (St. Dominique's Market). In Gdynia, Swietojanska Street is home to many luxury stores with national and international fashion retailers such as Escada, Laurel, Vero Moda, Carry and St. Emile.

### MORSKI RETAIL PARK



Given the relative weakness of other forms of retailing, the demand for retail space in Tri-City's shopping centres remains robust and the market continues to develop further. Additions to the stock in 2010 include Rental Park (7,000 sq m) and a second phase of Galeria Przymorze (4,000 sq m). The major project currently under construction is Morski Park Handlowy, a 50,000 sq m Liebrecht&wood's retail park, for which completion is scheduled for H2 2011. Other projects, such as Młode Miasto planned on the brownfield site of Gdansk Shipyard and Targ Sienny i Rakowy by Multi Development, remain at the planning stage.

## RETAIL RENTS

The rental levels for prime units in Tri-City in modern shopping centres are at the level of EUR 40 – 50 /sq m/month. High street rents reach between EUR 50 – 65 /sq m/month. Rents for units in retail parks remain at EUR 10 – 12 /sq m/month.

## GDYNIA IS BECOMING THE MOST ACTIVE RETAIL DEVELOPMENT MARKET IN TRI-CITY

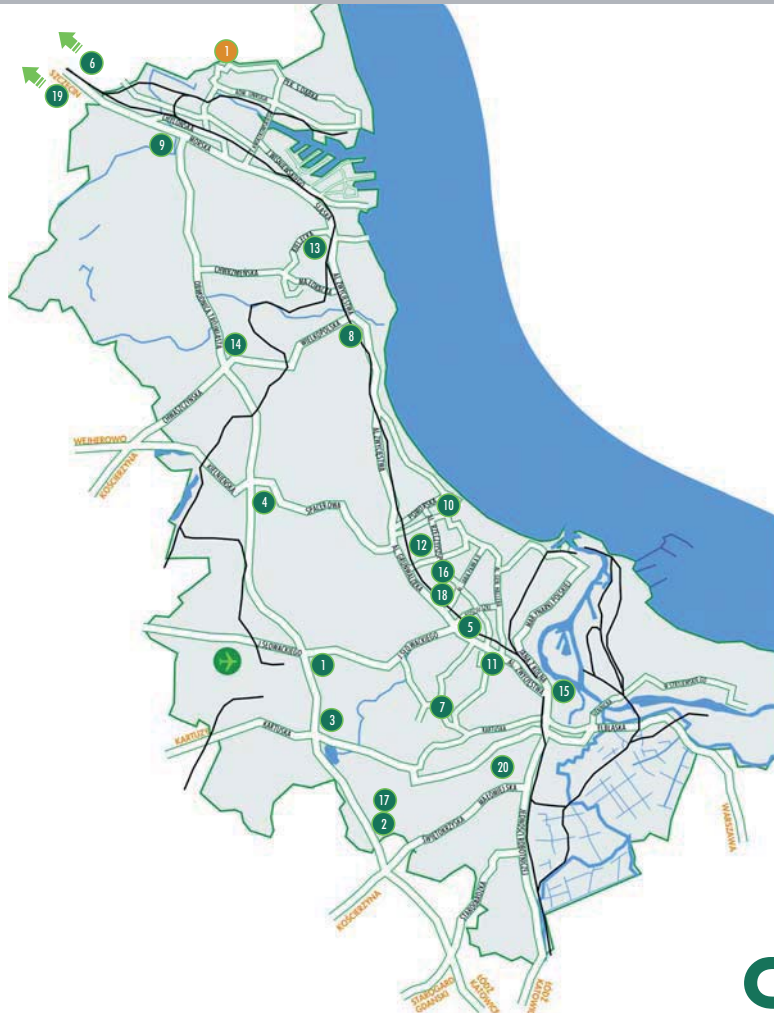
### SELECTED RETAIL SCHEMES IN TRI-CITY

#### EXISTING

No	Project	GLA	No	Project	GLA
1	Matarnia Retail Park	52,800	11	Manhattan	22,200
2	Morski Retail Park	50,000	12	Alfa Centrum	21,000
3	Auchan Gdansk	43,100	13	Wzgorze	20,700
4	Osowa Gdansk	39,100	14	Tesco Nowowiczlinska	20,000
5	Galeria Bałtycka	39,000	15	Madison	18,100
6	Auchan Port Rumia	35,000	16	Real	16,900
7	Morena Gdansk	31,000	17	Fashion House	16,400
8	Klif Gdynia	30,700	18	Oliwa	15,600
9	Tesco	23,800	19	Galeria Rumia	15,200
10	Galeria Przymorze	23,600	20	Tesco	14,000

#### UNDER CONSTRUCTION

1	Szperk / Pogorze	30,000
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#### QUICK STATS TRI-CITY PROGNOSIS FOR 2012

<b>SUPPLY</b>	→
<b>DEMAND</b>	↗
<b>VACANCY</b>	↘
<b>RENTS</b>	↗
<b>YIELDS</b>	↘

# KRAKOW



## GENERAL OVERVIEW

As a major academic, cultural, and business hub of Poland with over 750,000 inhabitants living in the City and over 2.1 million in the agglomeration, Krakow is among the largest urban centres of the country. As the historical capital of Poland that escaped the destruction that impeded the development of other major Polish cities, Krakow is the key sight-seeing destination of the country, with an estimated 8 million visitors each year, creating some outstanding opportunities for retail operators and developers alike.

### GALERIA KAZIMIERZ



## RETAIL STOCK

Modern retail stock currently stays at 438,000 sq m of GLA. At 210 sq m for every 1,000 inhabitants, stock density remains lower than in other leading retail locations. Shopping centre stock in Krakow saw a considerable increase in 2009 with the opening of 91,000 sq m of GLA in the Bonarka shopping centre. Trigranit's scheme was the largest project delivered the last year. Located at the south-eastern fringe of the city centre and in the vicinity of Krakow's main thoroughfares, Bonarka has enjoyed record-breaking initial customer interest, with footfall of some 2 million recorded within the first 40 days after its opening. Bonarka's completion created strong competition for the other major retail developments in the city, such as Galeria Krakowska (offering 57,000 sq m of retail space), Zakopianka (58,000 sq m), M1 Krakow (42,500 sq m), Galeria Kazimierz (36,000 sq m) and Krakow Plaza (31,000 sq m).

### GALERIA KRAKOWSKA



Krakow's old town, within the historical city walls, remains the city's major retail zone. Florianska and Grodzka Streets, the main connectors between the Barbakan and Wawel Castle sightseeing attractions, are Krakow's prime, pedestrianized and landscaped high streets. The city centre is the location of choice for international retailers such as Max Mara, United Colors of Benetton and Orsay among others.

### BONARKA SHOPPING CENTRE



The current retail pipeline in Krakow consists of two projects – King Square, a 13,400 sq m shopping centre and Neinver's Futura Park (31,000 sq m). The Serenada Shopping Centre by Mayland RE, offering 40,000 sq m of retail space, remains at the planning stage. Krakow continues to offer very good retail development potential, with the current retail network being almost exclusively located in the east and south of the city whilst little retail provision is available in its western part.

## RETAIL RENTS

Prime retail rents for units of approximately 100 sq m within shopping centres amount to EUR 40 – 49 /sq m/month. Prime rents for units on the high streets range from EUR 65– 70 /sq m/month.

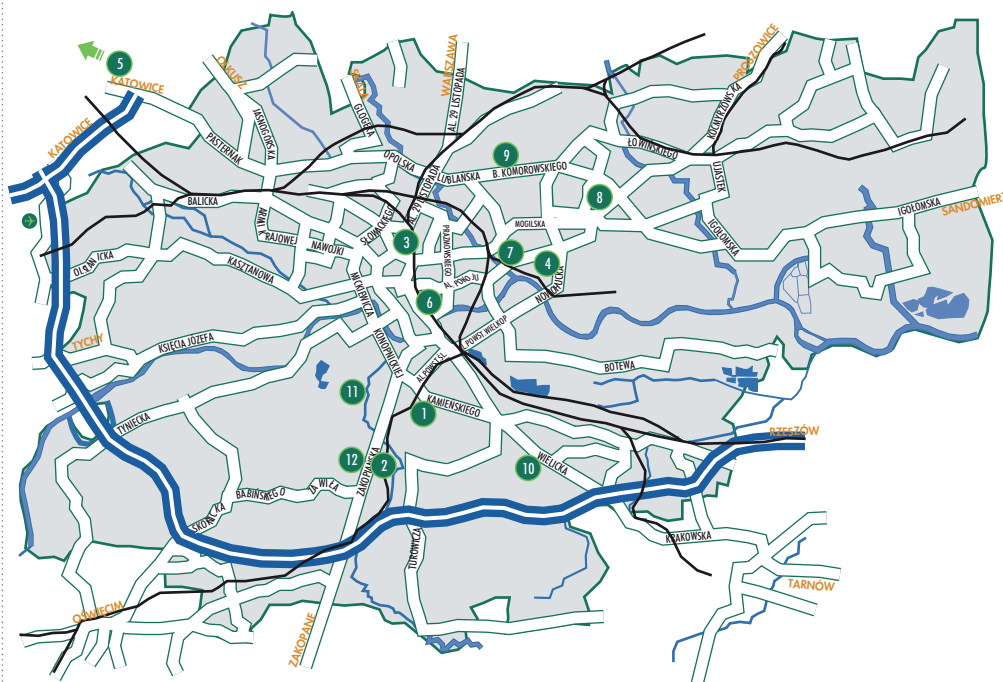
## CONSIDERABLE MARKET NICHE PERSIST IN KRAKOW

## SELECTED RETAIL SCHEMES IN KRAKOW

EXISTING		
No	Project	GLA (sq m)
1	Bonarka	91,000
2	Zakopianka	58,000
3	Galeria Krakowska	57,000
4	M1 Krakow	50,500
5	Futura Park	40,300
6	Galeria Kazimierz	36,000
7	Plaza Krakow	30,500
8	Carrefour Czyzyny	30,500
9	Krokus	27,100
10	Tesco Wielicka	25,400
11	Tesco Kapelanka	25,300
12	Solvay Park	14,500

### QUICK STATS KRAKOW PROGNOSIS FOR 2012

SUPPLY	→
DEMAND	↗
VACANCY	→
RENTS	↗
YIELDS	→



# LODZ



## GENERAL OVERVIEW

Located centrally in Poland and within a two hour drive from Warsaw, Lodz has developed dynamically as a major logistics hub and a popular BPO location. With some 1.1 million inhabitants in the agglomeration and 740,000 people in the city, Lodz remains one of the largest urban centres of Poland and continues to create some significant retail opportunities. In the second half of the last decade, Lodz witnessed a surge in development activity, leading to the current overheating in the residential and office sectors. However, even after the completion of Manufaktura, the largest shopping centre in Poland, in terms of stock density the retail market provision remains below the average for large Polish cities.

### SUKCESJA



## RETAIL STOCK

Lodz retail offer consists of 12 shopping centres and two specialised projects, including the only 2010 market addition of the second phase of Port Lodz retail park, which increased its retail stock by 67,000 sq m. With about 483,000 sq m of modern retail space (and a density reaching nearly 440 sq m per 1,000 inhabitants) Lodz retail provision remains relatively limited in comparison to other leading Polish cities.

### M1 LODZ



Lodz retail offer is dominated either by traditional, hypermarket - anchored formats or large retail facilities with regional catchment, such as Manufaktura shopping centre and Port Lodz retail park. Manufaktura, with over 110,000 sq m of GLA, is the largest shopping centre in Poland as well as being among the best and the most advanced retail developments in Europe. Offering a considerable leisure component, Manufaktura has established itself as a shopping and leisure hotspot of Lodz.

Piotrkowska Street is among the most recognisable high streets of Poland. Manufaktura, Galeria Lodzka, and linking them Piotrkowska Street, jointly create one of the largest shopping zones in Poland. Unfortunately, offering little competition to the modern units in terms of the standard and size, Piotrkowska Street suffers from the domination of financial and other services tenants, with little fashion and leisure / restaurant offer.

### GALERIA LODZKA



The pipeline in Lodz remains limited. The only retail scheme that is currently close to completion is the second phase of Pasaz Lodzki (3,500 sq m), scheduled for completion in Q3 2011. Currently, there are two major retail projects planned, but both Sukcesja (developed by Fabryka Biznesu) and Auchan shopping centres for the time being remain at the planning stage.

## RETAIL RENTS

Prime retail rents for units of approximately 100 sq m within shopping centres range between EUR 35 - 40 /sq m/month. Prime rents at Piotrkowska Street are in the range of EUR 20 - 43 /sq m/month.

## PIPELINE IN LODZ REMAINS LIMITED

### QUICK STATS LODZ PROGNOSIS FOR 2012

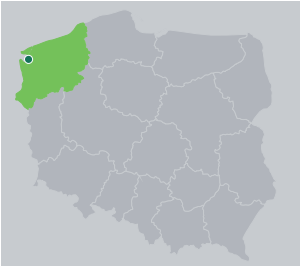
<b>SUPPLY</b>	→
<b>DEMAND</b>	→
<b>VACANCY</b>	→
<b>RENTS</b>	→
<b>YIELDS</b>	→

### SELECTED RETAIL SCHEMES IN LODZ

EXISTING		
No	Project	GLA (sq m)
1	Manufaktura	109,500
2	Port Lodz	100,000
3	Galeria Lodzka	45,000
4	M1 Lodz	37,800
5	Pasaz Lodzki	35,170
6	Tulipan	33,000
7	Tesco Baluty	26,000
8	Tesco Widzew	24,000
9	Guliwer	19,700
10	Carrefour Przybyszewskiego	17,000
11	Carrefour Szparagowa	13,000
12	E. Leclerc Inflancka	13,000



# SZCZECIN



## GENERAL OVERVIEW

The smallest among large Polish cities but hosting the largest seaport of Poland, Szczecin is situated in the utmost north-west part of the country on the border with Germany, only some 140 km from Berlin. Following the outflow of population at the beginning of the last decade, the negative trend has been recently reversed through more active city policies, attracting more investment. There are numerous signs that at last Szczecin's retail market is taking off. The city features as a real estate hotspot and creates some good retail development opportunities.

## OUTLET PARK SZCZECIN



## RETAIL STOCK

Szczecin continues to boast some of the best retail development potential among large Polish cities. Current shopping centre provision in Szczecin amounts to about 234,000 sq m of GLA, which translates into about 330 sq m per 1,000 inhabitants in terms of the agglomeration, resulting in one of the lowest retail density ratios among large Polish cities. There were two small additions to the stock in 2010 – the second phase of CH Molo (3,000 sq m) and Fashion Point by Platinum Real Estate & Management (3,300 sq m). The major schemes remain 42,000 sq m of GLA Echo Investment's Galaxy, 32,000 sq m GE Real Estate's Ster and the 27,500 sq m Macquarie's Turzyn Gallery.

## GALERIA KASKADA



With limited existing retail offer, Szczecin's market is expected to see a major surge in the stock. ECE's Galeria Kaskada (43,000 sq m) and 10,000 sq m in Turzyn shopping centre (a project different from Macquarie's Turzyn Gallery but bearing a similar name and sharing a similar location) have just been delivered. Additionally, 23,000 sq m in Szczecin Outlet Park (former Astra) should be open in Q1 2012. A further 170,000 sq m of modern retail space remains at the planning stage. Raiffeisen Evolution's 31,500 sq m Ferio shopping centre in the Pogodno district of Szczecin is expected for delivery in the first half of 2012, followed by the 10,000 sq m retail project developed by Avestus, for which a name has not been revealed yet.

## GALERIA STER



Szczecin's prime high street is crystallizing along 3 Maja Street and Niepodleglosci and Wyzwolenia Avenues. It stretches between Szczecin Główny PKP railway station and a brown-field site of the former 'Dana' factory, where its current owner JW Construction plans to develop a mixed-use complex to be known as Nova Dana with a retail and service component.

## RETAIL RENTS

Prime rents for a 100 sq m fashion unit in a high quality shopping centre, such as Galaxy Centrum, remain at EUR 40 – 45 /sq m/month. The rental levels for single retail units of approximately 100 sq m, located along the main shopping streets, have seen some decline to the current EUR 25 – 40 /sq m/month in the best locations.

## SZCZECIN'S CITY CENTRE IS BEING RESHAPED BY RETAIL

### SELECTED RETAIL SCHEMES IN SZCZECIN

#### EXISTING

No	Project	GLA (sq m)
1	Galeria Kaskada	43,000
2	Galaxy	42,000
3	Ster	32,000
4	Galeria Turzyn	27,500
5	Galeria Gryf	24,000
6	CH Molo	24,000
7	Auchan Kolbaskowo	21,000
8	Tesco	12,000
9	Kupiec	10,000
10	CH Turzyn	10,000

#### UNDER CONSTRUCTION

1	Szczecin Outlet Park	23,200
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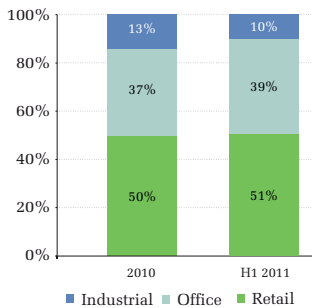
#### QUICK STATS SZCZECIN PROGNOSIS FOR 2012

SUPPLY	↗
DEMAND	↗
VACANCY	→
RENTS	↗
YIELDS	↘



# RETAIL INVESTMENT

## INVESTMENT ACTIVITY IN POLAND BY SECTOR



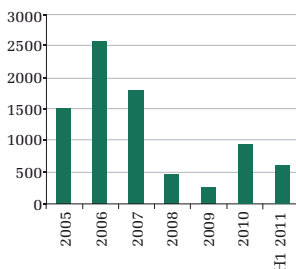
## CH PROMENADA IN WARSAW



## PRIME RETAIL YIELDS IN POLAND (%)



## RETAIL INVESTMENT VOLUME IN POLAND (EUR million)



## INVESTMENT TRANSACTIONS

The retail investment market has seen a strong rise in values over the past 12 months, with a wide range of international investors seeking new acquisitions. In H1 2011, the market has already experienced over EUR 650 million of transactional volume, with many more retail assets currently under offer and due to close by the end of the year. This includes the acquisition of Magnolia, Wroclaw by Blackstone in August, estimated to have exceeded EUR 220 million. The largest transaction of the first part of the year was the purchase of Promenada in Warsaw by Carpathian for EUR 171 million.

The two main active types of investors include a number of private equity groups and some of Europe's largest listed property companies. Most investors have been attracted by the continued strength of the Polish economy, which is translating into higher consumer spending and therefore higher retail turnovers. Additionally, each year new retailers are entering Poland putting additional occupational pressure on the existing stock. As a combined effect, investors are consequently anticipating rental growth in the coming years.

The retail investment market is considerably widening with a growing diversity of retail stock. Both the spectrum of available assets is diversifying, together with the number of geographic locations. A number of the shopping centres traded in the first half of the year were located outside of the established primary hubs in secondary and tertiary locations, indicating growing purchaser confidence and a better understanding of the local markets. Cities such as Belchatow, Lomza and Klodzko have recently recorded major capital transactions marking the end of the investors' run to safety, observed in 2010, when traded assets were almost exclusively located in the major Polish cities.

Yields have seen significant compression since the bottom of the market, and the two largest transactions in the Polish market (Magnolia, Wroclaw and Panorama, Warsaw) have shown yields at estimated 6.75%, while the best shopping centres in the region, such as Olympia in Brno, trade at 6.45%. Given the strong economic fundamentals, stable consumer demand and growing investors' activity, CBRE expects lower yields to be transacted before the end of the year, despite the wider European and global economic turbulence.

# MARKET PRACTICE

**MARKET TRANSPARENCY** – The property market has strong and transparent fundamentals regarding property titles but a degree of opacity persists with regards to the availability of market information. The information on historical freehold and perpetual usufruct transactions registered as Notaries Deeds is freely accessible to the listed property valuers, but there is no public record of lease transactions.

**LEASE LENGTH AND TERMS** – A typical lease contract period is 5 to 10 years with an option to extend. Most rents are denominated in Euro and paid in zlotys, but service charges and other payments (e.g. marketing fees) are often denominated in the local currency. Only older leases can still be denominated in US\$. Rents are typically the subject of annual indexation by the European (Eurostat) or U.S. consumer price indices.

**RENT PAYMENT** – Rent is payable monthly in advance, and is quoted without VAT.

**SERVICE CHARGE** – Within shopping centres service charge payments are common and will include repairs, cleaning and security.

**TENANTS' COVENANT** – Covenant strength is very important within the Polish market. Rental deposit, bank or parent company's guarantee equivalent to 3-6 months' rent, service charge, marketing costs and VAT is expected from all tenants.

**INCENTIVES** – Incentives include capital contributions toward shop fitting and rent-free periods, individually negotiated between the parties. Anchor tenants can expect a minimum of 3 months' rent-free or a fit-out contribution.

## DEFINITIONS OF KEY TERMS

**RETAIL SPACE GLA** - gross lettable area in sq m refers to the area leased to tenants and includes any other construction elements.

**SHOPPING GALLERY** - part of a shopping centre encompassing a number of adjacent shop units that are all accessible from a mall.

**HYPERMARKET** - either stand alone or part of a shopping centre, large-scale store (with a minimum GLA size of 2,000 sq m) offering a wide variety of convenience and household products.

**SHOPPING CENTRE** - a scheme that is planned, built and managed as a single entity, comprising units and 'communal' areas, with a minimum GLA of 5,000 sq m, usually a group of at least 10 shops and service units. Shopping centre schemes can vary in terms of the concept, from the centres where a hypermarket occupies 40-50% of the total GLA to the schemes dominated by other than retail commercial functions.

**FACTORY OUTLET** - is a shopping centre where manufacturers and retailers sell their merchandise at discount or gross prices.

**RETAIL PARK** - is a consistently designed, planned and managed scheme that comprises of medium- and large-scale specialist retailers ("big boxes" or "retail warehouses") as well as a shopping centre.

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