

POLAND RETAIL DESTINATIONS

RETAIL IN POLISH CITIES

BAW SIĘ Z NAMI
MODA Z CAŁEGO ŚWIATA
LONDYN PARYŻ MEDIOLAN NOWY JORK
znane marki zawsze do 60% taniej
T.K. maxx
tkmaxx.pl
DLA DOMU
AKCESORIA
OBUWIE
DZIECI
MĘSKI
DAMSKI
small prices
zestawienie sklepów w Polsce i na świecie

AUTUMN 2012 | CBRE RESEARCH

CBRE



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POLAND RETAIL DESTINATIONS

2012 Edition

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RETAIL IN POLAND



GENERAL OVERVIEW

The Polish retail market is entering its third decade of continuous and dynamic development. After twenty years of demand-driven growth the shopping centre offer in the major urban centres is well developed, although market niches persist. While we currently observe significant activity in shopping centre construction across the country, this is mainly in the regional cities, where quality space is already available, and in the smaller towns, aspiring for their first modern retail schemes.

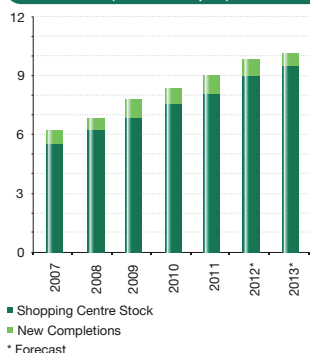
Economic drivers for further retail market development are easing. The consumer demand, so resilient in comparison to other European economies during the first slowdown between 2009 and 2011, is now decelerating. European funding streams are drying up, in particular those dedicated to the infrastructural investment, and the sport-wise successful Euro 2012 football cup event hasn't brought the expected boost to the local economies of its four host-cities. Furthermore, the strengthening zloty is cooling export levels that were otherwise reducing due to decreasing consumer demand in the western European countries.

With tenant's demand clearly easing, and overall vacancy rates on the increase, the Polish shopping centre market enters the challenging times of a tenants' market, when landlords will be forced to fight actively in order to attract new retailers. The market is increasingly discriminating between prime and non-prime schemes as the flight to safety for both retailers and investors continues and a number of less successful schemes are suffering. The need for market intelligence, catchment potential understanding and proper client targeting becomes ever more important for shopping centres in order to emerge as a winner from the looming downturn.

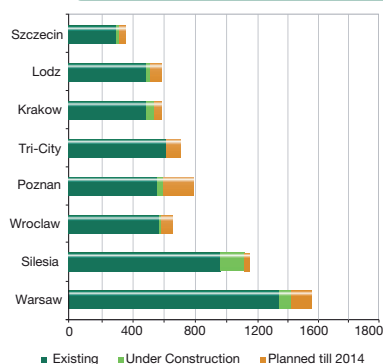
RETAIL STOCK

At the end of H1 2012 shopping centre stock in Poland amounted to 9.18 million sq m located in over 400 schemes, including specialized shopping formats (retail parks and factory outlets). With 240 sq m of GLA per 1,000 residents and gradually improving high streets, the modern retail network in Poland has become increasingly mature while it still offers further, albeit increasingly selective, development potential. After the strong 2011 pipeline that reached 650,000 sq m of GLA, in H1 2012 nearly 240,000 sq m of new GLA has already been delivered to the market and a further 380,000 sq m is scheduled to be completed by the year end. In the current pipeline (2012 – 2014, including all under construction schemes) 304,000 sq m out of 767,000 sq m of GLA is to be located in one of Poland's eight major urban hubs. Immochan and Neinver, each with two schemes, are the most active developers of shopping centres in large cities. The largest projects under construction are Helical's Europa Centralna in Gliwice with 67,000 sq m of GLA, followed by Neinver's Galeria Katowicka, and the Wzgorze extension in Gdynia developed by Fonciere Euris as well as Auchan's new retail gallery in Lomianki near Warsaw. Outside of the main hubs Atrium's Felicity in Lublin, with 73,000 sq m of GLA, is by far the most prominent project currently under construction.

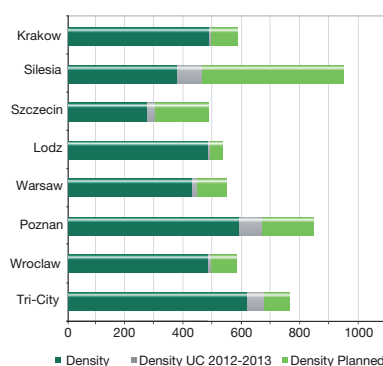
Shopping Centre Stock in Poland (million sq m)



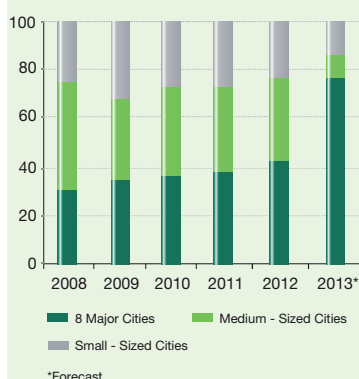
Shopping Centre Stock in Major Cities ('000 sq m)



Shopping Centre Density in Agglomerations (sq m per 1,000 Inhabitants)



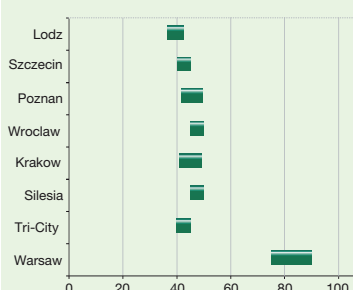
Shopping Centre Completions (%)



Quick Stats for Poland Prognosis for 2013

SUPPLY	↗
DEMAND	→
VACANCY	↗
RENTS	↘
YIELDS	→

Prime Shopping Centre Rents in Q2 2012 (EUR/sq m/month)



RETAIL STOCK cont.

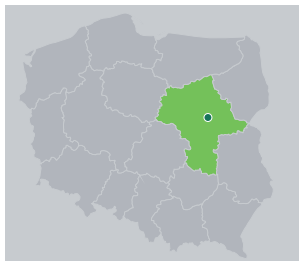
After a temporary slowdown in the specialised scheme sector, factory outlet projects are again high on the developers' agenda with Neinver's Futura in Krakow opened at the end of 2011 and two other schemes, Neinver's Annopol Bialoleka and Echo's Outlet Park in Szczecin, to be open within the next 6 – 9 months. In the meantime, the retail market is expanding further and well beyond shopping centre formats. The on-going expansion of small (under 5,000 sq m of GLA) shopping centres developed by Czerwona Torebka, Dekada and Elbfonds among many others, the emergence of convenience / neighbourhood shopping centres, plus the opening of the first fully modern vitkAc department store in Warsaw all mark a new era for the Polish retail market, characterised by increasingly diversified retail formats. On-going retail evolution is also being shaped by the rising e-commerce phenomenon, as our EMEA Research publications, "Europe's Online Consumer" and "How Global is the Business of Retail?", both show. Brick and mortar shops are being forced to compete for consumer's attention not only between each other but also increasingly with virtual stores. The quality of a shopping experience is becoming of paramount importance and a genuine differentiator between Internet and real shopping.

This report focuses on the eight largest urban hubs of the country, including Warsaw, Silesia, Tri-City, Wroclaw, Poznan, Krakow, Szczecin and Lodz which in total (including their functional areas) encompass some 13.5 million inhabitants – that is 35% of Poland's population. They are also the largest retail markets offering 5.25 million sq m of GLA (57% of the total available stock). The Warsaw retail market, by far the best developed in the country, remains demand-driven, but further down the retail hierarchy the picture is more varied. Szczecin, Lodz and Silesia also record very low vacancy rates indicating strong tenant demand, but in the cities such as Krakow or Tri-City the level of both investor and tenant demand is somehow easing.

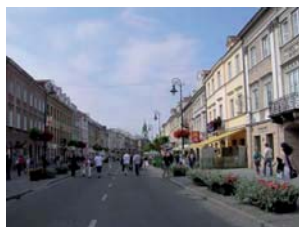
RETAIL RENTS

With increasing provision and moderate demand the retail market is clearly turning in tenant's favour, although 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 45 – 50/sq m/month. Rental easing is increasingly pronounced, as provision is in balance or is higher than demand, particularly for lower quality premises. 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, exacerbates the situation. Several key fashion anchor retailers are notorious for obtaining incentive packages that are considerably higher than their cumulative lease payments.

WARSAW



NOWY SWIAT STREET



ZLOTE TARASY SHOPPING CENTRE



GALERIA MIEJSKA PLAC UNII



GENERAL OVERVIEW

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. New transport infrastructure includes the opening of the A2 motorway, Northern Bridge, the improvements on Trasa Torunska, Warsaw's second airport in Modlin and fast urban train connection between the two airports that has substantially strengthened Warsaw's public transport network. These improvements already stimulate suburban retail expansion. Ongoing construction of Warsaw's second metro line will also have an impact on the development of the retail network in the city central zone.

RETAIL STOCK

With 1.33 million sq m of modern retail space, the Warsaw retail market remains the largest in Poland but it currently shows clear symptoms of undersupply. The only project already delivered in 2012 is 10,000 sq m Galeria Brwinow by the local developer Wlodarzewska. A major stock surge is expected in 2013, when 74,000 sq m of new GLA will be delivered in three new schemes and one extension. The majority of that stock will be delivered in Auchan's 33,600 sq m of GLA scheme in Lomianki. Another prominent new addition will be Neinver's Annapol outlet centre in Bialoleka – a dynamically growing residential district of Warsaw. The third major project under construction is Plac Unii, a JV of BBI Development and Liebrecht&wood, which is a mixed-use structure that is to offer 15,300 sq m of retail space. Other planned retail schemes include GTC Bialoleka and Miasteczko Wilanow.

The performance of the Warsaw retail market remains demand-driven, although the sources of demand are weakening. Most noticeable newcomers include COS, Carpisa, Bynamesakke, La Perla, Jack Wolfskin, American Eagle Outfitters, Victoria's Secret and Hollister, although several of them opt for high street locations. High demand for quality shopping centre space helps the best schemes to reposition substantially, with Zlote Tarasy, Galeria Mokotow, Arkadia and Klif being the chosen location for upper market retailers, whereas other schemes predominantly gather mid to lower market tenants. H1 2012 Retail Research Forum's analysis estimates vacancy levels in Warsaw at 1.6%, in comparison to just 1% a year ago, with undersupply in the city centre. However, demand is easing in many schemes at the fringe of the city centre and in the outskirts, resulting in a decline of average rental levels.

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) while average rents are at EUR 30 - 40/sq m/month. The lack of available retail space in the city centre acts as a catalyst on prime rents while increasing availability in non-central retail schemes pulls average rents down.

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.

WARSAW'S RETAIL MARKET REMAINS DEMAND DRIVEN

Quick Stats for Warsaw
Prognosis for 2013

SUPPLY	↗
DEMAND	→
VACANCY	→
RENTS	→
YIELDS	→

SELECTED RETAIL SCHEMES IN WARSAW

EXISTING

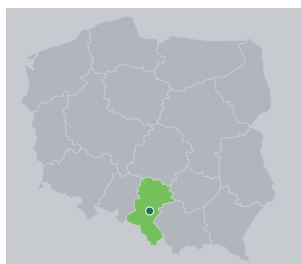
No	Project	No	Project
1	Arkadia	19	Auchan Piaseczno
2	M1 and Targowek RP	20	Zielony Retail Park
3	Wola Park	21	King Cross Praga
4	Centrum Janki	22	Auchan Modlinska
5	Zlote Tarasy	23	Sadyba Best Mall
6	Krakowska 61	24	Metropol Dom i Wnetrze
7	Galeria Mokotow	25	Tesco Fieldorfa
8	Janki Retail Park	26	Klif
9	Blue City	27	Fashion House Piaseczno
10	Atrium Targowek	28	Tesco KEN
11	Atrium Reduta	29	Tesco Stalowa
12	Carrefour Bemowo	30	Factory Outlet Ursus
13	Promenada	31	Galeria Rembielinska
14	Centrum Ursynow	32	KEN Center
15	Tesco Polczynska	33	Tesco Piastow
16	CH Wilenska	34	Centrum Skorosze
17	Fort Wola	35	Galeria Brwinow
18	Tesco Gorczewska	36	Stara Papiernia

UNDER CONSTRUCTION

1	Auchan Lomianki	3	Galeria Miejska Plac Unii
2	Factory Annopol Bialoleka	4	Galeria Mokotow (Ext.)



UPPER SILESIA



**3 MAJA STREET
KATOWICE**



GALERIA KATOWICKA



**EUROPA CENTRALNA
RETAIL PARK GLIWICE**



GENERAL OVERVIEW

The 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 gradual transformation of the economy towards the service sector, as well as one of the highest average income levels in Poland and several retail white spots, the Silesia region continues to offer some prime development opportunities. Key recent infrastructural improvements include the redevelopment of Katowice railway station, the main commuter hub of the region, built as a part of Galeria Katowicka, Neinver's flagship shopping centre project to be completed in 2013.

RETAIL STOCK

The Silesia Agglomeration currently offers 951,000 sq m of modern retail stock, including 33,000 sq m of GLA in the latest additions: Silesia City Center 19,000 sq m of GLA extension, nearly 8,000 sq m of GLA in M1 Zabrze new phase and 6,000 sq m in Tarnowskie Gory Shopping Centre, developed by Saller Polbau. After the opening of its extension, Silesia City Centre's position as the most popular retail destination of the region has been strengthened, but a number of competitors are vying for that position with Neinver's Galeria Katowicka, currently well advanced in both its construction and commercialisation process, at the lead.

With the ageing shopping centre offer concentrated primarily in medium and large schemes, the region continues to offer significant prime retail development opportunities both in terms of new locations (Jaworzno, Tychy) as well as for concepts (e.g. convenience centres in a number of local neighbourhoods). 133,000 sq m of GLA is currently under construction in two large and two small schemes. Helical's Europa Centralna in Gliwice will offer 67,000 sq m of GLA by the end of this year, while Galeria Katowicka will add 50,500 sq m of retail gallery space in the second part of 2013. The completion of Galeria Katowicka in 2013 will mark a threshold on 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. Two small projects due by the end of 2012 are the 8,000 sq m Nowy Rozdzen in Katowice and 7,500 sq m Galeria Zabrze.

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 – 50/sq m/month. Service charges are between EUR 5 – 8/sq m/month. Rents for units in retail parks range between EUR 9 – 11/sq m/month. High street retail rents have seen some declines to the current level of EUR 18 – 40/sq m/month.

RANGE OF RETAIL FORMATS IN SILESIA IS EXPANDING

Quick Stats for Upper Silesia
Prognosis for 2013

SUPPLY ↗

DEMAND →

VACANCY →

RENTS →

YIELDS →

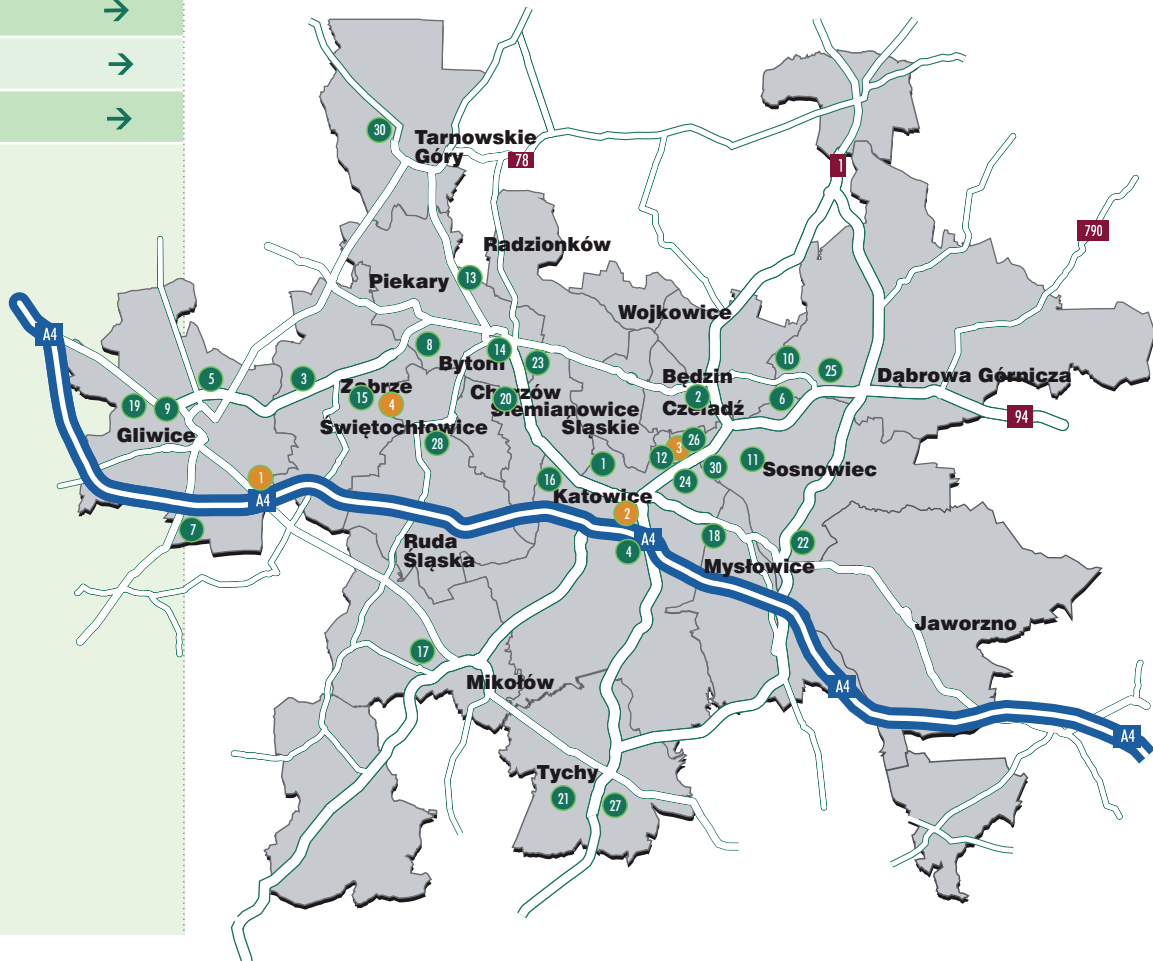
SELECTED RETAIL SCHEMES IN UPPER SILESIA

EXISTING

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

UNDER CONSTRUCTION

1	Europa Centralna Retail Park (Gliwice)	2	Galeria Katowicka
3	Nowy Rozdzien (Katowice)	4	Galeria Zabrze



KRAKOW



FLORIANSKA STREET



GALERIA KRAKOWSKA



BONARKA SHOPPING CENTRE



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 war destruction which impeded the development of other major Polish cities, Krakow is the key tourist sight-seeing destination of the country, with an estimated 8.6 million visitors in 2011 alone, creating some outstanding opportunities for retail operators and developers alike. The city continues to work at several key infrastructural investments including Krakowskie Centrum Komunikacyjne – the city's main public transport hub comprised of a modernised main railway station, bus terminal as well as the fast tram (including two underground stations in the city central zone), all physically linked with Galeria Krakowska – the city's leading shopping centre scheme.

RETAIL STOCK

Modern retail stock reached 495,200 sq m of GLA, but with the density at 240 sq m for every 1,000 inhabitants of its larger functional area, stock density remains lower than in other leading retail locations. With only 13 retail schemes Krakow agglomeration remains one of the least provisioned among Poland's key retail destinations. Most recent market additions include the 39,000 sq m of GLA in Futura Park – a hybrid concept encompassing both a retail park and factory outlet. Futura, located to the north-west of the city centre, currently offers nearly half of all of the available retail space in Krakow. Relatively high vacancy levels have subdued developers' activities, although the long-term drivers for the Krakow retail market remain strong. The current under construction pipeline consists of only one scheme, Auchan in Bronowice that is to offer 35,000 sq m of GLA, while other schemes remain at the early planning stage.

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 leading international retailers, but it has lost the role as a new entry point for international retailers that it used to have a decade ago.

RETAIL RENTS

Prime retail rents for units of approximately 100 sq m within shopping centres amount to EUR 42 – 49/sq m/month. Prime rents for units on the high streets range between EUR 65 – 70/sq m/month.

CONSIDERABLE MARKET NICHE PERSIST IN KRAKOW

Quick Stats for Krakow
Prognosis for 2013

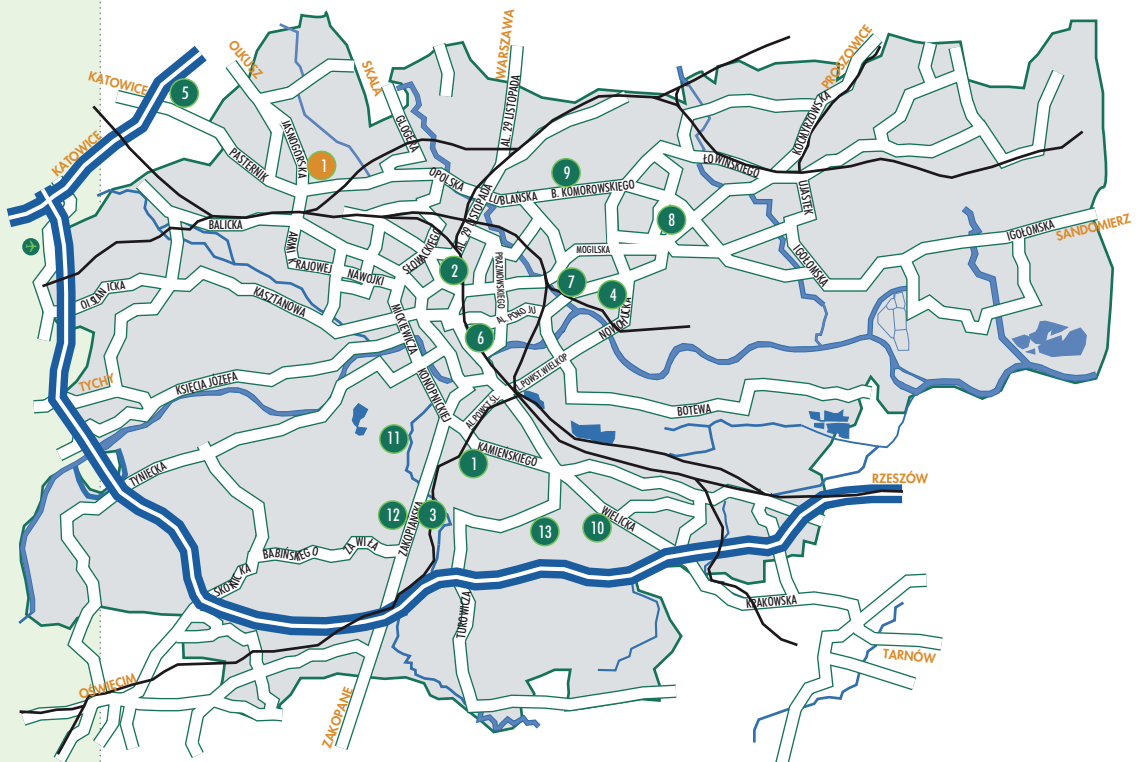
SUPPLY	→
DEMAND	→
VACANCY	↘
RENTS	→
YIELDS	→

SELECTED RETAIL SCHEMES IN KRAKOW

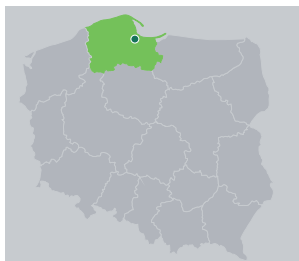
EXISTING		
No	Project	GLA (sq m)
1	Bonarka	91,000
2	Galeria Krakowska	60,000
3	Zakopianka	59,300
4	M1 Krakow	50,300
5	Futura Park	39,000
6	Galeria Kazimierz	36,000
7	Plaza Krakow	30,400
8	CH Czyzyny	28,800
9	Krokus	27,100
10	Tesco Wielicka	25,400
11	Tesco Kapelanka	25,300
12	Solvay Park	13,800
13	Carrefour Witosza	9,000

UNDER CONSTRUCTION

1	Auchan Bronowice	35,000
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TRI-CITY



**DLUGA STREET
GDANSK**



SZPERK GDYNIA



**MORSKI RETAIL PARK
GDANSK**



GENERAL OVERVIEW

The Tri-City agglomeration is composed of Gdansk, Gdynia and Sopot that jointly host a population of close to 745,000 residents. Tri-City remains the most important industrial, educational and cultural hub of the northern part of Poland with 1.2 million people living in its agglomeration. The last 12 months have seen some key improvements to the city infrastructure provision, such as Tri-City's second airport in Gdynia-Kosakowo, as well as the on-going construction of the A1, currently linking it with Torun, that has already improved its road connectivity with Warsaw. The region is now going through a transition period, with the historically strong marine industry currently in recess, being increasingly replaced by the service sector as well as by urban tourism and the Baltic seaside leisure industry. Increasingly, former shipyards are being incorporated into the city urban tissue with many cultural and commercial developments leading regeneration process.

RETAIL STOCK

With 27 schemes that cumulatively offer 617,400 sq m of GLA the Tri-City retail market is the third, after Warsaw and Silesia, most developed in Poland. Latest stock additions include Szperk in Gdynia as well as the following phases of Morski Park Handlowy and Galeria Rumia. The current volume of stock translates into a density of 490 sq m per 1,000 inhabitants for the agglomeration, positioning Tri-City as the best retail provisioned of the large urban centres of Poland; however considerable niches persist due to the relative homogeneity of the existing projects as well as the Tri-City topography that strongly limits their accessibility. Shopping centres are concentrated along the Grunwaldzka / Morska thoroughfare (including such schemes as Klif Gdynia, Galeria Bałtycka and the redeveloped Wzgorze), close to the housing estates of Przymorze (with Galeria Przymorze, Alfa Centrum and Real) and close to the Tri-City ring-road (with a number of retail parks including Morski Park Handlowy, Auchan Gdansk, as well as Matarnia and Tesco Nowowilczynska). The high street retailing is concentrated along Długa Street in Gdansk's Old Town, but the area is dominated by bank branches, telecom service units or tourist-focused offer.

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. Currently re-developed Wzgorze in Gdynia will introduce a line of mid-market fashion retailers to the city so far deprived of this type of offer. Other projects, such as Młode Miasto, planned on the brownfield site of Gdansk Shipyard and Forum Radunia (f. Targ Sienny i Rakowy) by Multi Development, remain at the planning stage.

RETAIL RENTS

The rental levels for prime units in Tri-City's modern shopping centres are at the level of EUR 40 – 45/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 NOW THE MOST ACTIVE RETAIL DEVELOPMENT MARKET IN TRI-CITY

Quick Stats for Tri-City
Prognosis for 2013

SUPPLY	↗
DEMAND	→
VACANCY	↗
RENTS	→
YIELDS	→

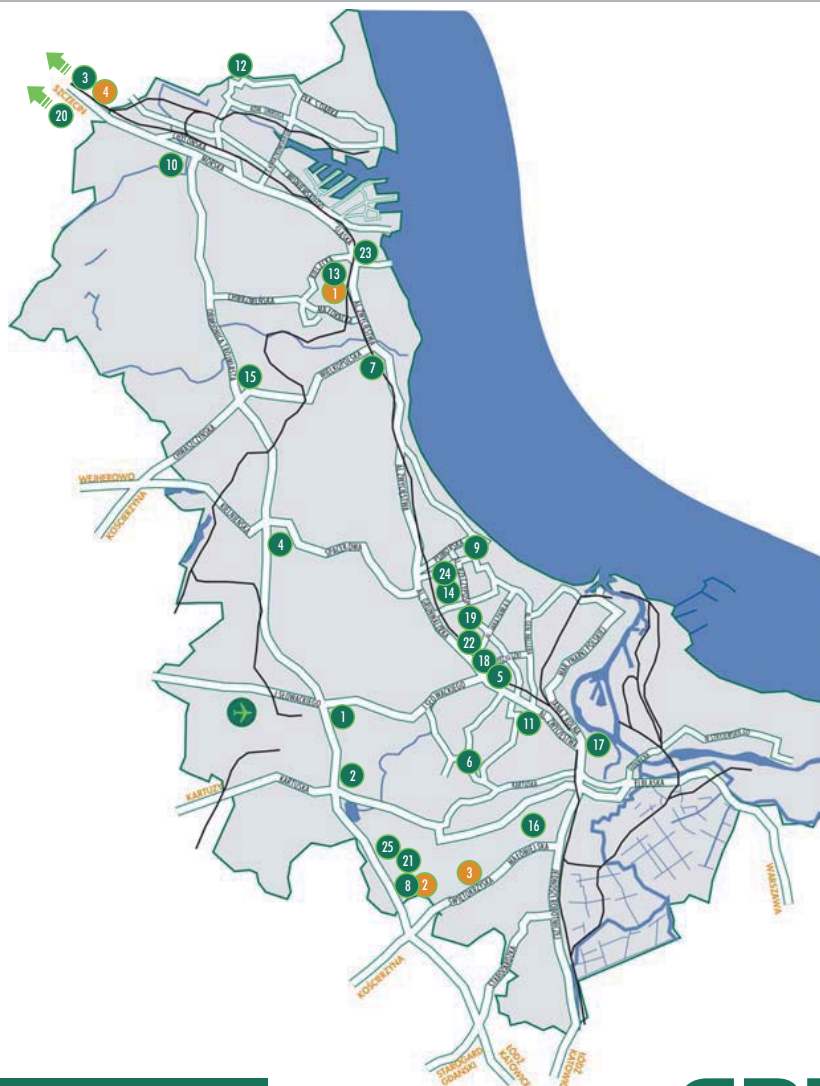
SELECTED RETAIL SCHEMES IN TRI-CITY

EXISTING

No	Project	No	Project
1	Matarnia Retail Park	14	Alfa Centrum
2	Auchan Gdansk	15	Tesco Nowowilczynska
3	Auchan Port Rumia	16	Tesco Gdansk
4	Galeria Osowa Gdansk	17	Madison Gdansk
5	Galeria Bałtycka	18	Top Shopping Gdansk
6	Morena Gdansk	19	Real Gdansk
7	Klif Gdynia	20	Galeria Rumia
8	Morski Park Handlowy	21	Fashion House Gdansk
9	Galeria Przymorze	22	Oliwa
10	Tesco Kcynska	23	Batory Gdynia
11	Manhattan	24	ETC Gdansk
12	Szperk Gdynia	25	Rental Park Gdansk
13	Wzgorze Gdynia		

UNDER CONSTRUCTION

1	Wzgorze (Ext.)	2	Morski Park Handlowy (Ext.)
3	Centrum Kowale Gdansk	4	Auchan Port Rumia (Ext.)



WROCLAW



GENERAL OVERVIEW

With 630,000 residents in the city itself and 1.2 million people in its agglomeration, Wroclaw is the key business and cultural hub of Dolnoslaskie Voivodship. 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 has become a destination of choice for many domestic and foreign investors, largely due to the proactive and open policies of the local authorities. 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. Recent infrastructure improvements, including the western part of the Wroclaw ring-road, have already had an impact on the retail geography of the city.

SWIDNICKA STREET



RETAIL STOCK

Wroclaw's retail offer consists of 19 modern retail schemes providing approximately 541,000 sq m of GLA in total. Additions to stock since the last year include Sky Tower with 25,000 sq m of retail space in a mixed-use development, as well as Magnolia Park's extensions adding nearly 12,000 sq m of GLA in total. Wroclaw's retail offer, in comparison to other similarly sized cities of Poland, is considerably more versatile. Shopping centres are complemented with other formats as well as relatively well developed high street retailing. Unlike in many other regional markets, in Wroclaw there are several strong shopping centres located at the fringe of city centre including Galeria Dominikanska, Pasaz Grunwaldzki, as well as Renoma and Arkady Wroclawskie. Also Magnolia Park, located to the west of the city, is among Wroclaw's leading schemes with negligible vacancies. Bielany Hub with 132,000 sq m of GLA in Auchan Bielany, Centrum Handlowe Bielany and Bielany Retail Park form the city's largest retail destination that is already benefiting from another strong driver after the opening of Wroclaw's ring-road western part.

MAGNOLIA PARK



SKY TOWER



Tenancy levels in Wroclaw are high as the market holds strong. Over 50% out of the currently vacant 15,000 sq m (approx. 2.7% of the total stock) is available in LC Corp's Sky Tower – the latest addition to the Wroclaw retail market. Despite relatively high shopping space density, reaching over 460 sq m per each 1,000 of inhabitants, Wroclaw's retail potential is still perceived as positive. Magnolia, already the largest retail scheme in Wroclaw with 76,900 sq m of GLA, is soon to see the construction of further 20,000 sq m in the retail park to take off and Pasaz Grunwaldzki's 12,000 sq m of GLA extension is to start by the end of 2012.

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 – 60/sq m/month.

WROCLAW HAS SEVERAL PRIME SCHEMES

Quick Stats for Wroclaw
Prognosis for 2013

SUPPLY →

DEMAND →

VACANCY →

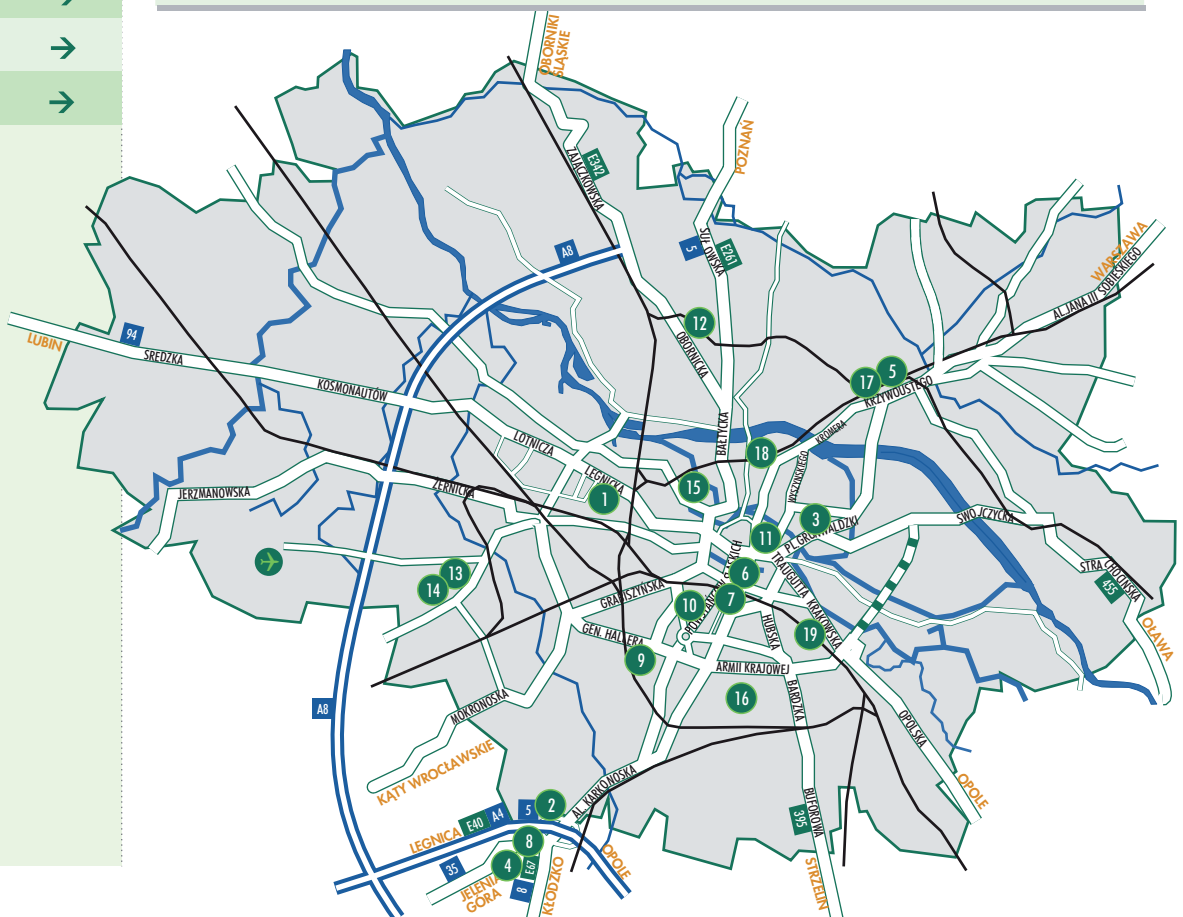
RENTS →

YIELDS →

SELECTED RETAIL SCHEMES IN WROCLAW

EXISTING

No	Project	GLA (sq m)
1	Magnolia Park	76,900
2	Auchan Bielany	56,000
3	Pasaz Grunwaldzki	52,000
4	Bielany Retail Park	49,000
5	Korona	41,200
6	Renoma	31,000
7	Arkady Wroclawskie	30,000
8	Centrum Handlowe Bielany	27,000
9	Borek	27,000
10	Sky Tower	25,000
11	Galeria Domnikanska	24,300
12	Marino	20,000
13	Futura Park	17,300
14	Factory Outlet	13,200
15	Tesco Długa	13,000
16	Ferio Gaj	10,000
17	Helical Retail Park Mlyn	9,600
18	E.Leclerc	9,500
19	Family Point	9,000



POZNAN



POLWIEJSKA STREET



STARY BROWAR



GALERIA MM



GENERAL OVERVIEW

Home to some 550,000 residents, Poznan is a well established trade, exhibition and business centre of the country's western regions. Poznan's economy represents the third strongest functional region of Poland (after Warsaw and the Silesia Agglomeration) in terms of economic performance. Poznan has seen infrastructure improvements that have an impact on its retail market - the recently opened new tram line to Franowo is now comfortably delivering public transport users directly to one of Poznan's key retail hubs with M1 and Centrum Franowo schemes.

Poznan's agglomeration is home to over 1.12 million people and most of its public transport commuters already benefit from the fact that TriGranit and the City of Poznan has joined the PPP initiative encompassing the re-development of the already operating Poznan Główny railway station. Currently the developer continues with the construction of the adjacent shopping scheme.

RETAIL STOCK

By the middle of 2012 Poznan's overall shopping centre provision had reached 536,000 sq m. Franowo remains the city's largest retail destination with over 108,000 sq m of GLA. However, it is Stary Browar shopping centre that is highly regarded – this is the city's architectural and cultural landmark as well as one of Europe's finest shopping centre concepts. The last surge of new projects in the city was seen in 2009, when Galeria Malta was completed. 2011 brought only two small extensions of the Franowo project as well as one new small scheme in Suchy Las – a northern satellite town of Poznan.

Poznan agglomeration boasts a retail density of about 480 sq m of retail space per 1,000 inhabitants of its agglomeration and remains one of the best provisioned among large urban centres of Poland in terms of the retail space volume. However, Poznan continues to see high levels of developers' activity with 77,800 sq m of GLA under construction in three city centre schemes: 55,000 sq m of GLA Poznan Główny City Centre is to be located next to the already operating railway station, and the balance will come in two mixed-use schemes: Galeria MM and Polwiejska 2. Other planned large retail projects include the 85,000 sq m Apsys' Lacina and 50,000 sq m in Echo Investment's Metropolis, but their respective completion dates remain blurred.

Despite significant retail development activity market niches persist, and the construction of small, convenience-type formats would be highly desired in some local neighbourhoods. Also, the provision of quality high street units in Poznan remains very limited as the Old Town, that remains the main traditional retail zone, is being increasingly dominated by large-scale retail developments.

RETAIL RENTS

Prime retail rents for units of approximately 100 sq m in shopping centres are currently at the level of EUR 42 – 50/sq m/month. Rents for the best high street retail units are currently at EUR 35 – 45/sq m/month.

POZNAN'S CITY CENTRE OFFER IS TO INCREASE

Quick Stats for Poznan
Prognosis for 2013

SUPPLY ↗

DEMAND →

VACANCY ↗

RENTS ↘

YIELDS →

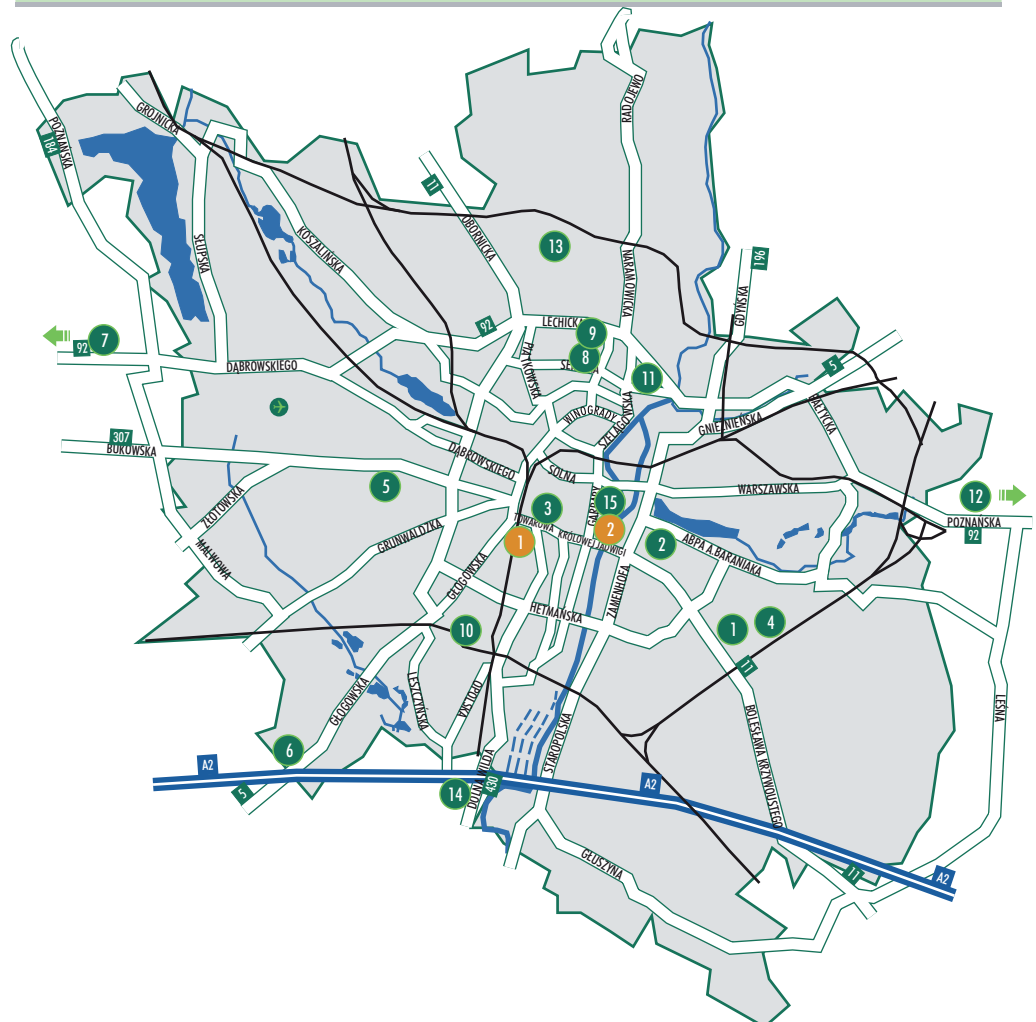
SELECTED RETAIL SCHEMES IN POZNAN

EXISTING

No	Project	GLA (sq m)
1	Centrum Franowo	61,900
2	Galeria Malta	54,000
3	Stary Browar	47,400
4	M1	47,000
5	King Cross Marcelin	45,600
6	Auchan Komorniki	44,500
7	Auchan Swadzim	42,000
8	Galeria Pestka	42,000
9	Plaza Poznan	29,500
10	Panorama	22,500
11	Tesco Serbska	22,300
12	ETC Swarzedz	20,900
13	Tesco Opienskiego	17,200
14	Factory Outlet	15,200
15	Kupiec Poznanski	9,000

UNDER CONSTRUCTION

1	Poznan Glowny City Center	55,000
2	Galeria MM	16,000



LODZ



PIOTRKOWSKA STREET



SUKCESJA



MANUFATURA



GENERAL OVERVIEW

Located centrally in Poland and now within less than two hours 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. The opening of the A2 highway, linking Warsaw with Poznan and Berlin through Lodz / Strykowo, and its forthcoming linkage with the A1 (currently under construction) is the major transport improvement that will support Lodz's further development as the major logistic hub of the country, with considerable consequences for the commercial, primarily logistics but also for the wholesale and retail markets. For example Ptak, a wholesale and retail destination located in Rzgow, a community to the south-east of Lodz, is already offering approx. 120,000 sq m of GLA, and is rapidly developing as a cash&carry destination for small and independent fashion retailers.

RETAIL STOCK

Lodz retail offer consists of 14 shopping centres and two specialised projects that jointly offer 498,500 sq m of modern retail space (translating into the density of nearly 445 sq m per 1,000 inhabitants). No new stock additions were recorded in 2011 and H1 2012 and Lodz retail provision remains relatively limited in comparison to other leading Polish cities.

Lodz retail offer is dominated either by traditional, hypermarket - anchored formats or large retail facilities with a 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 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 and its region. 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 standard and size, Piotrkowska Street suffers from the domination of financial and other services tenants, with little fashion, leisure and restaurant offer.

The retail pipeline in Lodz remains limited. The only shopping centre currently under construction is Fabryka Centrum in Pabianice, 6,100 sq m of GLA scheme, located 200 m east of Echo's well-established project. Currently, there are several medium-sized retail projects planned, including Fabryka Biznesu's Sukcesja, Plaza, Auchan and Domator among others, but clearly not all of them have a realistic chance of being built.

RETAIL RENTS

Prime retail rents for units of approximately 100 sq m within shopping centres range between EUR 38 - 42/sq m/month and remain among the lowest rents recorded in Poland's large cities. Prime rents at Piotrkowska Street are in the range of EUR 20 - 40/sq m/month.

LODZ MARKET IS NOW IN BALANCE

Quick Stats for Lodz
Prognosis for 2013

SUPPLY	→
DEMAND	→
VACANCY	↘
RENTS	→
YIELDS	→

SELECTED RETAIL SCHEMES IN LODZ

EXISTING

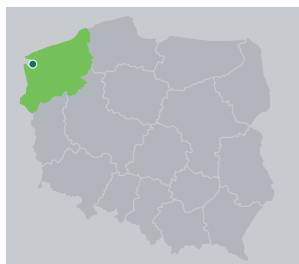
No	Project	GLA (sq m)
1	Manufaktura	109,500
2	Port Lodz	103,000
3	Galeria Lodzka	45,000
4	M1 Lodz	37,800
5	Pasaz Lodzki	37,000
6	Tulipan	32,800
7	Tesco Baluty	26,200
8	Tesco Widzew	23,900
9	Carrefour Przybyszewskiego	23,000
10	Guliwer (Carrefour)	17,800
11	Carrefour Szparagowa	15,900
12	E.Leclerc	12,000
13	Centrum Rozrywki	7,400

UNDER CONSTRUCTION

1	Fabryka Centrum	6,100
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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 active city policies, attracting more investment. Current key infrastructural investments include the construction of the ring-road's northern part and a cargo terminal in Szczecin port. The ongoing refurbishment of Struga Street is hampering the retail activity in the eastern part of the city, but will considerably reduce transit traffic pressure in this leading commercial strip of Szczecin.

NIEPODLEGŁOŚCI AVE.



RETAIL STOCK

Current shopping centre provision in Szczecin amounts to 278,000 sq m of GLA, which translates into around 380 sq m per 1,000 inhabitants of its agglomeration, in terms of density positioning Szczecin in the middle of the ranking among large Polish cities. Current stock includes 43,000 sq m of GLA in Kaskada, the most prominent new shopping centre which opened in 2011; this ECE's inner city retail scheme has strongly reshaped Szczecin's entire central retail zone and exerts influence on all other schemes in the city. Another 2011 completion was Turzyn developed by Turzyn SPV and located next to Turzyn Galeria Handlowa. This 10,000 sq m of GLA scheme is commercialised with local retailers though and does not add to the shopping centre stock in the city. The only major project that is currently under construction is Echo Investment's second retail scheme in Szczecin - Outlet Park, a specialised hybrid scheme located at the eastern part of Struga Street that will encompass both factory outlet and leisure components, upon its completion in Autumn 2012. Other projects, including Galaxy's 40,000 sq m of GLA extension, Ferio Pogodno and Aleja Slonca, all remain firmly at the drafting stage and most probably will stay there for the time being as tenant demand for new retail space in Szczecin has been currently satisfied.

GALERIA KASKADA



OUTLET PARK SZCZECIN



In terms of retail diversity Szczecin already offers a good mixture of inner city retailing with out of town developments. In the city's central part Kaskada and Galaxy, Echo Investment's 10-year-old scheme that until recently has been dominating the retail market in Szczecin, flank Szczecin's main retail zone that spreads along Al. Wyzwolenia, pl. Zwyciestwa and Krzywoustego Street. Both schemes form Szczecin's prime retail destinations at the expense of all other fringe and out-of-town locations, including the schemes at the refurbished Struga Street.

RETAIL RENTS

Prime rents for a 100 sq m fashion unit in a high quality shopping centre, such as Galaxy and Kaskada, 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 OFFER DOMINATES THE MARKET

Quick Stats for Szczecin
Prognosis for 2013

SUPPLY →

DEMAND →

VACANCY →

RENTS →

YIELDS →

SELECTED RETAIL SCHEMES IN SZCZECIN

EXISTING

No	Project	GLA (sq m)
1	Galeria Kaskada	43,000
2	Galaxy	42,500
3	Ster	32,000
4	Turzyn Galeria Handlowa	27,500
5	Auchan Kolbaskowo	21,400
6	CH Molo	19,500
7	Galeria Gryf	18,400
8	Real	13,500
9	Tesco	11,900

UNDER CONSTRUCTION

1	Outlet Park Szczecin	23,200
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RETAIL INVESTMENT

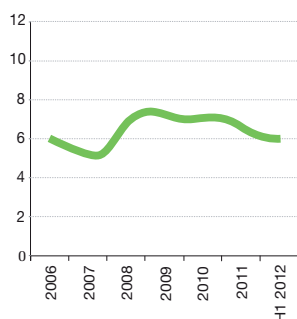
Investment Activity in Poland By Sector



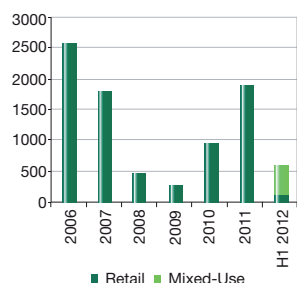
CH Promenada in Warsaw



Prime Retail Yields in Poland (%)



Retail Investment Volume in Poland (EUR million)



INVESTMENT TRANSACTIONS

Retail investment volumes so far for 2012 have been much reduced from the high levels of 2011 and we expect this trend to continue till the end of this year. The retail transactional market in 2012 has been dominated by the sale of Manufaktura to Union Investment with an investment volume marginally over EUR 400 million at a reported, yet not confirmed, yield of just below 6%. Other potential large volume transactions in the market include high profile centres such as Silesia City Center, Dominikanska and Pasaz Grunwaldzki in Wroclaw, the Charter Hall's portfolio (five centers in major regional cities), as well as several other retail centres across the country. Depending on the outcome of these transactions the retail volume for H2 2012 is expected to be much higher than in H1 2012.

Business environment is clearly changing and transactions are now taking much longer to complete, however we are still seeing strong investor demand for high quality core retail schemes. Demand is broadly broken down into two categories, prime city centre retail assets that continue to achieve best yields and suburban, hypermarket-anchored galleries, where yield levels are already heading upwards. The top performing city centre schemes are the targets for the German funds that continue to pay yields in the region of 6%. The more opportunistic retail specialists such as Resolution, Europa Capital, Rockspring, Heitman, Meyer Bergman, Blackstone, Atrium and others look for yields above 7% and with asset management issues that would allow them to add value over time. We also continue to see interest in smaller towns of 50,000-100,000 people where the dominant retail centres and hypermarket galleries are of appeal to the more opportunistic and smaller funds.

This continuing investor demand in retail confirms the belief and understanding in the Polish retail narrative of a country with strong macro-economic fundamentals, a young, dynamic and educated workforce and positive outlook. However, more recently we have seen the first signs of some slowdown in the economic forecasts for 2012/2013 that may soon translate into investors' hesitations. A possible fall in investor demand and hence a softening of yields may well be seen as we go into 2013 but we believe that the prime city centre retail in the major cities will remain attractive to continuously active core investors.

MARKET PRACTICE

MARKET TRANSPARENCY – 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 – 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 be still 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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