

Retail investment's second wave in Poland



Secondary cities are set to see a surge in mall construction and retail real estate investment in the coming months

The Polish retail property market will see a wave of **fresh investment** over the next year, with real estate developers and investors having launched or announced the start of a bevy new investments across the country.

The bulk of these developments will be located **in regional urban centers**, many of which are still plagued by a serious shortage of modern retail space.

After a slowdown in development activity caused by the outbreak of the global financial crisis in 2008, **an increasing number of projects are obtaining financing** and entering the construction phase. As a result, the volume of new annual supply is set to increase significantly within the next few years.

According to Colliers International data, by mid-2012 construction was under way on more

than one million sqm of **retail space in Poland**, **700,000 sqm** of which was scheduled to be completed by the end of the year. That would make for a huge increase over 2010 when developers delivered some 460,000 sqm of modern retail space to the Polish market.

Regional bias.

New projects are now mostly located in mid-sized regional cities, many of which have, until recently, remained empty spots on Poland's retail property map. In the country's main urban centers, relative market saturation now means increased risk in terms of project commercialization, said Przemysław Błaszkiwicz from the valuation department of Colliers International Poland.

The numbers show the trend clearly. In the second quarter of 2011, no major retail project was completed in any of the eight largest cities in Poland. Other cities with populations of less than 400,000 are expected to see **new openings** “*The current increased activity of developers marks a second wave of supply targeted at regional cities and its dynamics allows us to forecast that **the retail property market may prove to be the most active sector of the whole real estate market in the upcoming year.***” Colliers International Poland’s Błaszkiwicz said. He added that **the majority of under-construction and planned retail projects are traditional shopping centers.** Ongoing or **recently completed retail park schemes account for some 110,000 sqm of space** while outlet centers, which until recently constituted just 1 percent of modern retail space in Poland, are now increasing their share of the market. In the face of continued economic turmoil, developers will certainly continue to turn to outlet center schemes, which have fared well in times of decreased shopping activity, Mr Błaszkiwicz said. He pointed to Factory Outlet in Krakow (21,320 sqm) and Outlet Park Szczecin in Szczecin (23,000 sqm) as some of the planned investments of this kind.

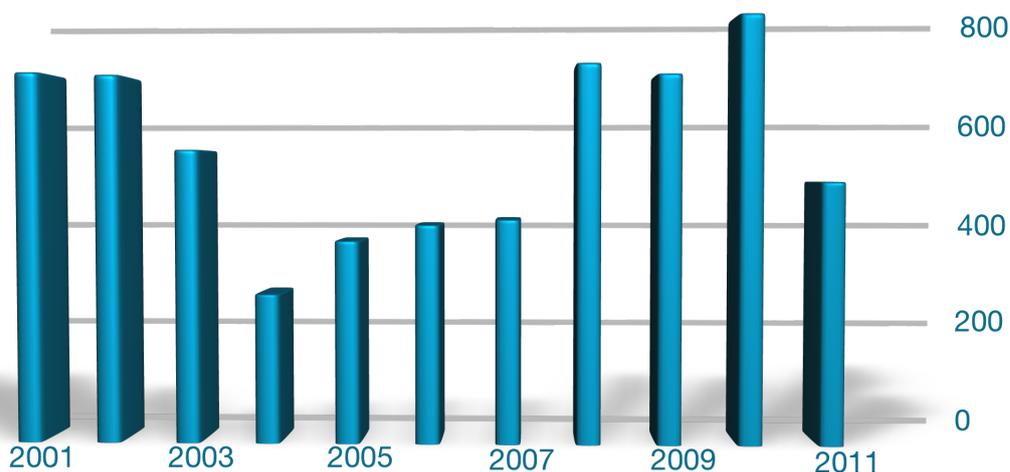


Investor interest.

Growing development activity has largely been driven by considerable investor interest in retail facilities, Mr Błaszkiwicz pointed out. With their large nominal revenues and relatively long lease deals, shopping centers prove a very good purchase option for funds and other financial institutions seeking safe cash flow, he said.

According to Cushman & Wakefield, the first half of 2011 showed that **real estate investment activity in Central and Eastern Europe (CEE) was gaining momentum and could come in at a total of €4.8 billion by the end of the year.**

Annual Supply of Retail Space in Poland



Why Poland?

The clothing and footwear retail market in the Central Europe

Why Poland?

1. Poland is located in the heart of Europe, close to the economic center of the continent,
2. Poland is perfectly located both for servicing the EU market and the markets of Eastern Europe,
3. It is a stable democracy, a member of NATO, the European Union, the WTO and OECD,
4. Its economy is developing at a considerably faster pace than most in Western Europe,
5. Polish economic growth is driven by a dynamic private sector,
6. Poland was the only EU country to resist the global economic crisis, avoiding recession in 2009 and maintaining one of the highest growth rates in Europe in 2010 and 2012.
7. The Polish market is as large as the rest of Central Europe put together,
8. Poland offers a large, educated workforce at competitive prices,
9. Poland's currency, the złoty, is stable and inflation is low. the highest growth rates in Europe in 2010 and 2011,

The Polish economy boasts a healthy mix of domestic consumption and exports as growth drivers. It has the luxury of its own currency, which gives it some enviable fiscal flexibility.

The clothing and footwear retail market in the CE region is likely to be worth more than €14bn in 2014.

In 2012 the economy is predicted to grow by about four percent. We estimate that in 2011 the fashion market in the six Central European (CE) countries was worth almost €13bn,. Half of this was generated in Poland. The ten largest companies accounted for 28% of the market in the CE region.

Among the main trends in the clothing and footwear markets are the rapid development of online sales and the growing popularity of international brands.

Almost half of the money spent on clothes and shoes in Central Europe is taken by specialist retail chains.

The development of the clothing and footwear retail market is closely related to that of the shopping centre market.

Ready to take flight on a global stage?

Welcome to Poland!

