



Galeria Wilanow

Construction of new retail in Warsaw gaining momentum

Winston Norman

Total modern shopping centre stock in the Polish capital currently amounts to around to 1.4 million sqm, located within 42 schemes. At present there is 127,000 sqm of new space under construction within seven pipeline projects. However, 30 percent of this new stock consists of extensions of existing shopping centres. Despite the significant amount of stock, the retail space density ratio, according to Colliers International's publication "Shopping centres in Warsaw H1 2015," is at an average level of 546 sqm per 1,000 inhabitants, and vacancy stands at a modest 1.5 percent, well below the European average.

Among all the planned investments, the construction of which is due to take place in the coming years, worthy of mention are: Galeria Polnocna (64,000 sqm GLA), Galeria Wilanow (61,000 sqm GLA), Galeria Piaseczno (44,300 sqm GLA), as well the multifunctional complexes of Art Norblin (24,000 sqm GLA for retail/service) and Centrum Praskie Koneser (21,000 sqm GLA for retail/service).

"The Warsaw agglomeration represents the largest Polish retail market in terms of supply, accommodating over 1.11 million sqm of shopping centre space," commented Anna Bartoszewicz-Wnuk, Head of Research and Consulting at JLL Poland. "In addition, the spending power of its inhabitants exceeds the national average

by 68 percent. However, with respect to shopping centre density, Warsaw is one of the least saturated markets in Poland and continues to lag behind other major agglomerations such as Wroclaw, Poznan, Tri-City, Lodz, and Krakow. So it comes as no surprise that demand is high for new retail projects in the capital, especially in dynamically developing residential areas."

Currently Warsaw houses 14 shopping centres that offer over 100 stores each. The centres with the most stores and food outlets are Galeria Mokotow (270), Arkadia (240) and Zlote Tarasy (220). In total, over 3,560 stores operate in Warsaw shopping centres. The largest tenant group is composed of fashion and services. Also well-represented are restaurants and cafes,



Galeria Polnocna



Anna Bartoszewicz-Wnuk –
Head of Research and Consulting, JLL

The Warsaw Agglomeration represents the largest Polish retail market in terms of supply, accommodating over 1.11 million sqm of shopping centre space. In addition, the spending power of its inhabitants exceeds the national average by 68 percent. However, with respect to shopping centre density per 1,000 inhabitants, Warsaw with a ratio of 437 sq m is one of the least saturated markets in Poland and continues to lag behind other major agglomerations such as Wrocław, Poznań, Tri-City, Łódź, and Kraków. So it comes as no surprise that demand is high for new retail projects in the capital, especially in dynamically developing residential areas.

shoes, clothing & leather goods, health & beauty and homeware.

"Warsaw is a popular place for international chains to debut in Poland. Recently, there have been some new openings: Ori-

gins from the health & beauty sector, Superdry, Kiabi and Courir from the fashion sector, Dsquared2 Kids and Jacadi Paris from the children & maternity sector. Good quality shopping centres attract unwavering interest from tenants," said Katarzyna Michnikowska, Senior Analyst, Research and Consultancy Services at Colliers International.

According to JLL, the lowest shopping centre density within the Warsaw agglomeration is in Rembertów, Wawer, Wesoła, Wilanów, Bielany, Żoliborz and Białoleka. Developers, attracted by spending power, a growing number of residents and low vacancy rates, are launching several new retail projects. Around 108,000 sqm of retail space was under construction as of the end of H1 2015. The biggest investment within the agglomeration was Fabryka Wolomin, while in Warsaw itself it was the extension of Wola Park.

Additionally, GTC has recently obtained a building permit for Galeria Polnocna (64,000 sqm of GLA). The cornerstone of this flagship investment was laid in September. Moreover, construction work on the historic CEDET department store has just begun. Therefore, space on Warsaw's retail market expects major changes over the next few years with various types of retail schemes entering the market.

"The major retail development trends noted in Warsaw include refurbishments, redevelopments and extensions of existing retail assets, expanding high street retail-

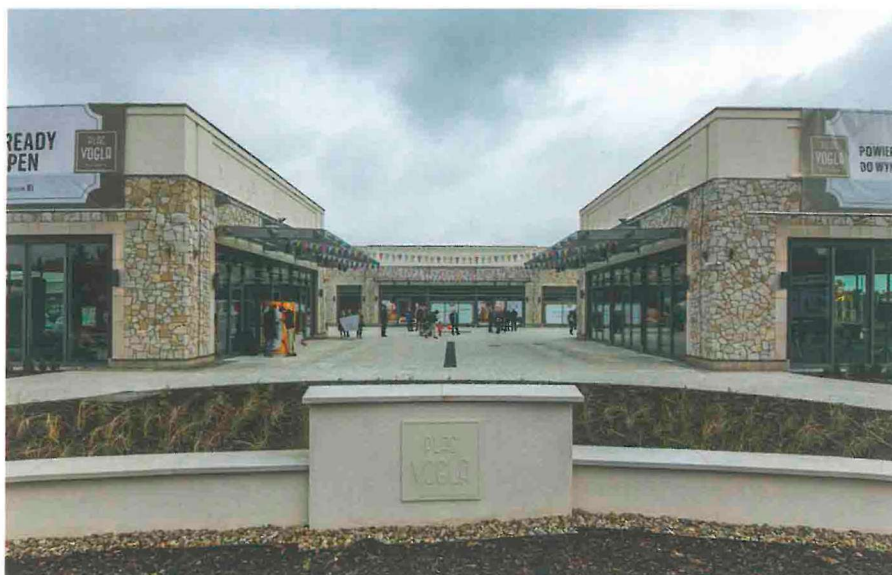
ing, the revitalization and transformation of historical sites into modern schemes, an increasing number of schemes combining office and retail functions as well as the development of railway stations areas," commented Anna Wysocka, Head of Retail Agency at JLL Poland.

A few other market trends can be observed, designating the direction of changes, these are, the further extensions and phases of well-performing schemes in order to retain clients by ensuring they are provided with a wider choice. And the owners of older schemes are increasingly deciding to enlarge their projects by adding further phases in order to refresh them.

Current examples of pipeline extensions and phases include Centrum Janki, Wola Park, and Promenada. An increasing number of planned mixed-use (office and retail) schemes in good locations is noticeable, with Smyk and Centrum Marszałkowska (former Sezam store) being the most prominent examples. This is forecast to give a substantial boost to the development of high-street retail.

High-street retail in Warsaw is still awaiting infrastructural changes. The completion of the second metro line's central junction is scheduled for the end of 2015 and is likely to give a considerable boost to the high street retail sector.

Available retail stock has been well-absorbed by the Warsaw market and is reflected in one of the lowest vacancy rates countrywide.



Ghelamco's recently opened Plac Vogla



Agnieszka Kolat –
National Director, Retail Investment CEE, JLL

Development in Poland's retail market continues apace. In total, 708,000 sqm of retail space is under construction across Poland, with shopping centres accounting for 675,000 sqm. The biggest schemes under development are Poshania (100,000 sqm) in Poznan, Wroclavia (64,000 sqm) in Wroclaw and Forum Gdansk (62,000 sqm). In September 2015, GTC laid the cornerstone for Galeria Polnocna (64,000 sqm), one of its flagship projects in Warsaw. Importantly, redevelopments and refurbishments of existing retail schemes still constitute an important trend on the market, resulting from growing competition and changing customer expectations. Poland is attractive for international retailers with the biggest fashion debut in 2015 being Superdry. Vacancy rates in the major agglomerations range between 1.6 percent and 4 percent, with the exception of Wroclaw (4.6 percent). In Warsaw, prime rents, which refer to units of 100 sqm earmarked for fashion & accessories and located in the best-performing assets, have seen an increase and now stand at €120 per sqm a month.

"Several new domestic and international brands have recently opened on the Warsaw market, including two French brands – Kiabi in Blue City and Courir in Galeria Mokotow, the British Superdry in Zlote Tarasy and the Polish brand Scalini in Klif. Furthermore, popular US bakery firm Dunkin' Donuts has announced that it will open 44 cafes across Poland and has selected Warsaw as a bridgehead for its expansion into Poland," said Anna Wysocka.

The city's three large shopping centres (Galeria Mokotow, Arkadia and Zlote Tarasy) have the widest and most unique range of brands in Warsaw. They are also characterised by fairly similar market positioning, although Galeria Mokotow's positioning is markedly higher. Interestingly, three other assets (Blue City, Atrium Promenada and Klif) feature a similar attractiveness in terms of the brands on offer, although their market positioning are somewhat different. The remaining projects in Warsaw can be described as comparable, both in terms of market segmentation and uniqueness of the range of brands on offer.

Anna Wysocka said: "Centres differ in terms of location, size, age, market positioning, and capture power, with a key differentiator for a particular asset being its tenant mix. Therefore as well as location, a combination of such attributes as the number of popular brands trading, their market positioning against the catchment area profile, and the uniqueness of what it offers on a particular market make a retail centre perform successfully. The retail profile of a city is the sum of the offers from all



Brendon O'Reilly –
Managing Director, FASHION HOUSE Group

The CEE outlet market is rapidly developing in terms of the number of outlets, sales and footfall growth. After a short break in 2014 for establishing the taken positions, major players are ready to take another great leap forward. The original lack of understanding for the outlet centres concept and its strengths is over now and funds are finally finding outlets as a core asset with a great ROI perspectives. Several recent transactions across Europe confirm the change. What is more, developers who can afford to finance new constructions from their own equity are now ready to invest as well. Moving forward, the next big challenge for outlets is the merge of offline and online sales. Recent studies by the IDC shows that customers who buy both online and in-store have approximately 30 percent higher lifetime value in comparison to those using only one channel to shop. Retailers are eager to serve them on every step of their journey.

the centres within a particular city. Just as each retail project can be subject to analysis, so one can also analyse the attractiveness of entire cities for shoppers in terms of the range of brands on offer and positioning."

The future pipeline is polarised towards small, convenience or mixed-use projects from one side, and large-scale schemes on the other. The first group includes Hop Stop in the Falenica district (7,000 sqm), Ghelamco's recently opened Vogla Park in the Wilanow district (11,000 sqm) and Ferio Wawer (12,000 sqm). Larger pipeline schemes to be completed in 2015/2016 are: Fabryka Wolomin (31,000 sqm) as well as Galeria Wilanow and Galeria Bialoleka offering 60,000 sqm of retail space each.

According to JLL, monthly prime rents per sqm in the leading shopping centres are €95-€110, in retail parks €8-€9, while on main high streets they are around €80-€90. ■