



Recently opened Sukcesja in Lodz

Poland's retail sector grows in the agglomerations, with new trends on the rise

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While Q3 brought about just a modest sprinkling of new completions, Poland's retail sector has continued to be defined by strong growth in the major agglomerations, while at the same time continuing to ride a wave of redevelopments, refurbishments and expansions of existing retail stock.

“In a nutshell it's been busy: while it's fair to say the retail segment may have lacked the spectacular, big ticket deals we've see in the office and industrial sectors, it's still been a very active time for us,” commented Anna Bartosiewicz-Wnuk of JLL.

Including pipeline developments, 2015 is set to surpass the last five years in terms of final figures, with particular emphasis

pinned on the final quarter when, traditionally speaking, developers have rushed to push through their projects in time for the Christmas season.

As things stand, modern retail stock in Poland totals 12.58 million sqm, with shopping centres representing 8.99 million sqm of that number. Q3 saw an almost token sum added – just 106,000 sqm, with a considerable chunk of that connected to



Galeria Pomorska in Bydgoszcz

the opening of Sukcesja in Lodz. Officially opened on September 25th, the PLN 270 million project comprises a leaseable area of 45,000 sqm, with over 160 units and an entertainment area including a nine-screen multiplex.

The figures relating to Q3 do not, however, represent the wider picture. With 708,000 sqm of retail space currently under construction – 675,000 sqm of which is set to take root in shopping centres – these are exciting times for a sector that posted a 30 percent downturn in completions the previous year.

The key agglomerations continue to lead the market in terms of shopping centre development, with over 60 percent of projects under construction falling within that sphere, and, according to forecasts, Q4 could see as much as 330,000 sqm added to Poland's total shopping space. Among others, projects that are expected to cut the ribbon include the 50,000 sqm Zielone Arkady in Bydgoszcz, the 23,000

sqm SuperSam in Katowice and the 31,000 sqm Galeria Galena in Jaworzno.

Looking ahead, the biggest scheme of although is Posnania in Poznan; due to be delivered in Q3 2016. The €300 million shopping centre will tout a gross leaseable area of over 100,000 sqm, with facilities including space for over 40 medium-to-large stores, 220 smaller units, and parking for 3,000 cars. Already promoting itself as the largest shopping and entertainment centre between Berlin and Warsaw, the project also promises to be at the forefront of new shopping technologies (mobile payments, digital maps, etc.) in a bid to ramp-up custom and compete with malls already established in the city.

"I strongly believe that Posnania will be for Poznan what Manufaktura became for Lodz – a city landmark and an exciting venue that will enrich the business, social and cultural life of the entire Wielkopolska region," commented Fabrice Bansay, CEO of the developer, Apsys.

With 80 percent of their tenants already secured, and a catchment area of one million, that Posnania looks set to be a success story is to flirt with understatement. Even so, Bansay's words reveal an interesting trend that has spiked the attention of market watchers: shopping centres have evolved beyond being solely about shops. In Posnania's case, 12 percent of the scheme's footprint has been surrendered to serve as a food court, while other frills include a sizeable beer hall and other such additions.

"All over the country we're noticing people are spending more and more time in shopping centres, though not actually for the shopping," said Bartosiewicz-Wnuk. "People are converting to online sales channels for that, and we see that retail units have instead grown more to resemble showrooms for brands. The national trend for improving food court areas is a direct reflection of the lifestyle changes that are occurring in Poland, and while



Riviera in Gdynia acquired by Union Investment

busy shopping centres are good, people are having to think more with regards to how to actually 'sell' their space."

As part of this progress, shopping centres have looked to new forms of arranging space. "New formats we're seeing include the creation of co-working offices, libraries and legal advice points," said Dominika Jedrak of Colliers. In April this year, Millennium Hall in Rzeszow opened a contemporary art gallery, while in June CH Batory in Gdynia created a library outlet in cooperation with the Public Urban Library." In basic terms, this is not just a time of growth, but also transition.

Yet while development in the bigger cities and agglomerations continues unabated, the lesser cities are stuttering. While smaller cities – those with a population of under 100,000 – attracted the biggest influx of supply in 2014, this year that figure has fallen to 25 percent of new stock entering the market. This, though, comes as no surprise, and is simply a reflection of cities reaching their natural equilibrium in terms of retail opportunities.

"Once a town of 50,000 has a shopping centre of, for instance, 30,000 sqm, does it

really need any more?" asked Bartosiewicz-Wnuk.

Instead, revitalization is the name of the game, with many of the centres opened in the 90s and early 2000s being updated – and in some cases expanded – to bring them into line with the demands and expectations of both the consumer and the retailer. Once again, the improvement of food courts figures highly in this.

"Redevelopments and refurbishments of existing retail schemes are a crucial element of the strategy that owners and property managers implement for aging objects, these steps result from growing competition and changing customer expectations," said Edyta Potera of JLL. "In Q3, new space in the form of extensions to Galeria Pomorska, Wola Park and Factory Ursus entered the market. More investments are underway, including Centrum Franowo in Poznan, Morena in Gdansk and ETC centres in Swarzedz and Gdansk, which are in the process of redevelopment and refurbishment."

Vacancy rates, meanwhile, have tended to oscillate around the 2.9 percent mark for the big agglomerations, ranging from 1.6

percent to 4 percent, with the one exception being Wroclaw where vacancies stand at around 4.6 percent. Prime rents have remained reasonably stable with the odd ones ducking the trend being Poznan and Warsaw: in the capital, prime rents have continued to gradually spiral, with latest data showing an average of €120 per sqm/month.

The developers are happy, and although it's highly unlikely that this year's figures will be matched in 2016 and 2017 there's enough to suggest a sector that's in rude health. And in light of this, it would be remiss not to mention the investment side, which has also enjoyed a positive year that's been busy with deals – the largest being Union Investment's acquisition of Centrum Riviera in Gdynia for an undisclosed fee thought to be in the region of €300 million. With investment volume already in excess of the €570 million total of 2014, it seems more than possible that the curtain will be drawn on 2015 with around €1.3 billion of transaction being registered. ■