CB RICHARD ELLIS

MarketView

Warsaw Retail

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Q4 2008

Quick Stats

	Change from 2007
Supply	↓
Rents	↑
Vacancy	↔
Yields	↑

Hot Topics

- New shopping centre stock in Poland in 2008 amounted to 590,000 sq m, out of which 48% was completed in Q4 2008.
- In Warsaw there was only 39,000 sq m added to the market in 2008.
- The vacancy rate for Warsaw retail space in the best shopping centres ranges between 0 - 3%.
- Prime rents are stable and at the level of EUR 65 - 100 /sq m/month.
- Prime retail yields are at 6.75%.

OVERVIEW

Despite economic turbulences registered all over the world, Poland is quite resistant and its economy is still in a relatively good condition. The average GDP growth in 2008 is estimated at 5.4%, the unemployment rate below 10% and inflation at 2.4%. Indeed, Polish banks tightened the loan conditions in the 2nd half of the year and as a result some companies decided to postpone their developments or change the concepts of their projects. Nonetheless, the retail market has still very good and solid foundations and the business conditions in Poland still remain much more favourable in comparison to other countries.

As the previous years, 2008 was the time of stable retail development in Poland, with approx. 590,000 sq m added to the market. As usual, great majority of the space (48%) was completed in the Q4.

Even though Warsaw is the capital city and it is the largest and the most attractive market in the country, there was only 39,000 sq m added to the stock last year.

In terms of typology, Warsaw features a wide variety of retail schemes such as stand-alone stores, shopping centres, shopping & leisure centres, factory outlets and retail parks. The best retail destinations, however, remain shopping and leisure centres such as Arkadia, Galeria Mokotow and Zlote Tarasy.

Other shopping centres are also trying to become more attractive and we can currently observe a new trend of focusing on a niche or targeting particular kinds of clients. Thus, some centres have focused on an upmarket sector, while others are working on changing its concepts into a family type of shopping centre.

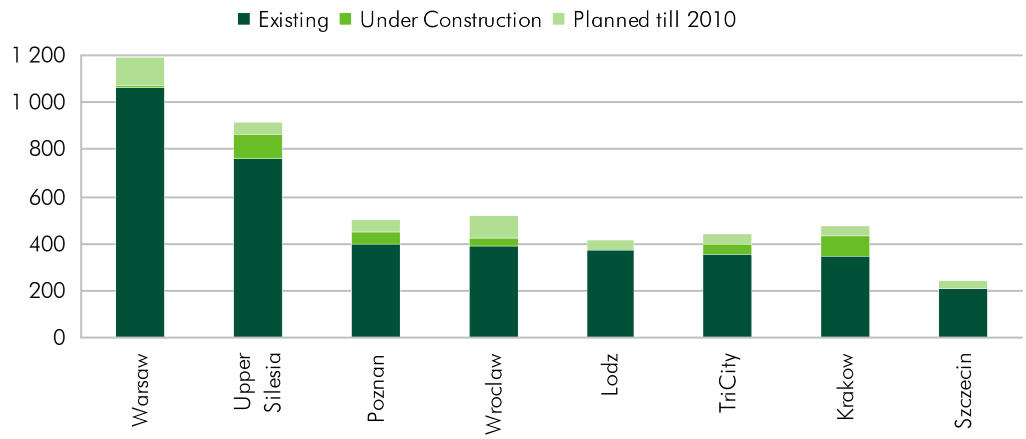
Changes can also be observed in the city centre where investors plan to renovate old department stores or decided to build new ones.

Even though Warsaw is perceived as a market being close to saturation, there are still parts of the city which lack modern and good quality shopping centres such as the northern areas (Tarchomin) or south – eastern districts (Rembertow, Wawer, Wesola).

The future development of the retail market in Warsaw largely depends on the retail demand, which may probably decrease slightly in the worst shopping centres, but will remain strong in the best locations. Despite economic slowdown, most of the chains keep expanding and introducing new brands.

As the developers may limit its activity this year, the retail market may witness a minor slowdown in a short to medium term, but will inevitably continue to expand as there is still place for new retail developments in Warsaw.

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



Source: CB Richard Ellis

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SUPPLY

There are 39 modern existing shopping centres in Warsaw, including 33 traditional and 6 specialized schemes. Out of the total 1.3 million sq m of retail space, 78% is occupied by shopping centres. The retail density ratio is at the level of 798 sq m per 1,000 inhabitants and the shopping centre density ratio is at the level of 753 sq m per 1,000 residents. The average size of a traditional shopping centre in Warsaw is 33,000 sq m, however six projects exceed 50,000 sq m.

In the first half of 2008 there was only one DIY store Brico Depot (7,700 sq m) opened in Warsaw. In the second half of the year one shopping centre was completed and one retail park was extended. Both Galeria Rembielinska (13,000 sq m) and the extension of Targowek Retail Park (18,400 sq m) were completed in Q4.

Currently, only one department store is under active construction (Wolf Bracka) and one shopping centre is being extended (KEN Centre). Around 40,000 sq m have been announced to be delivered next year. However, the biggest two shopping centres (Forum Wilanow and Wilanow One) are planned to be opened in the Wilanow district in 2010.

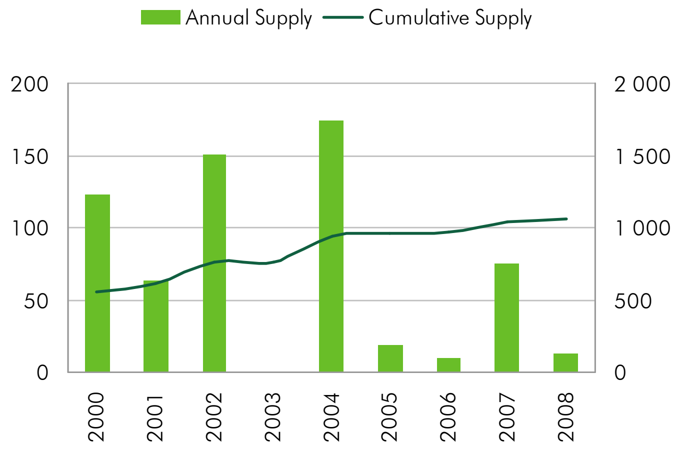
DEMAND

Despite the slowing economic growth rates, the demand for retail space in Warsaw is still quite strong, especially for the prime locations. The opening of Zlote Tarasy in 2007 has absorbed much of the demand for retail space in Warsaw, nevertheless in 2008 new brands continued to enter the Warsaw market.

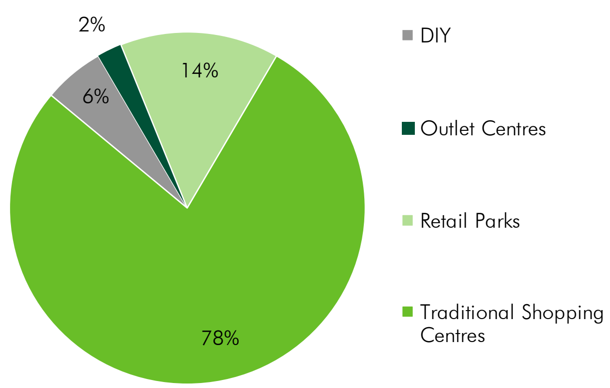
Good quality shops are still a subject of interest for tenants and there are currently four leading retail destinations where retailers decide to locate its first stores in Warsaw: Klif, Galeria Mokotow, Zlote Tarasy and Three Crosses Square.

Warsaw is an attractive retail destination and it is expected that next year it will be witnessing another batch of new brands entering Warsaw with the biggest one being Louis Vuitton Moet Hennessy group (LVMH) representing such brands as Louis Vuitton, Christian Dior, Kenzo or Donna Karan.

WARSAW SHOPPING CENTRE STOCK ('000 sq m)



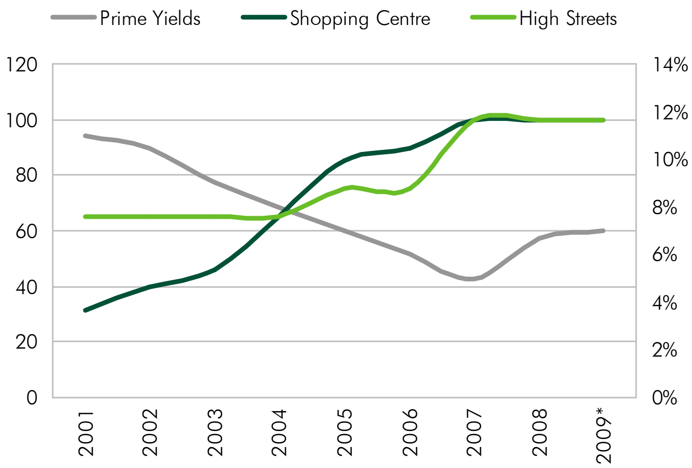
WARSAW RETAIL STOCK BY TYPE (%) IN Q4 2008



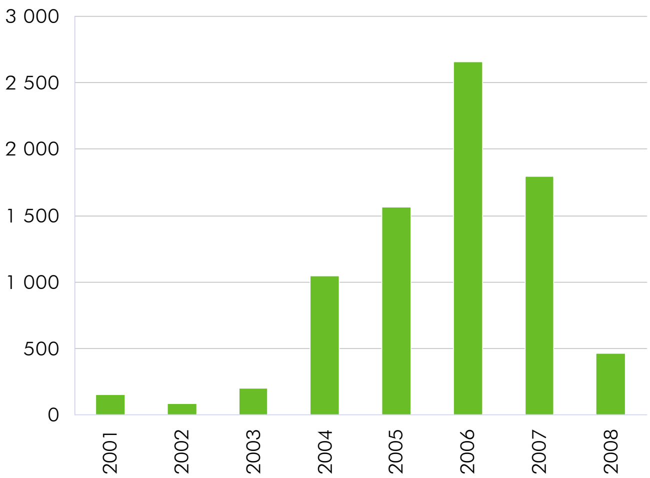
NEW RETAILERS ON THE WARSAW MARKET

RETAIL DESTINATIONS	NEW RETAILERS
Klif	Cacharel, Caractere, Coccinelle, Cortefiel, Paul & Shark, Mariella Burani, Ferre Milano
Galeria Mokotow	Guess by Marciano, Liu Jo, Longchamp, Meet and Eat, Morgan, Massimo Dutti
Zlote Tarasy	Doppio Zero Lounge Bar "00" &Piza, Top Shop
Three Crosses Square	Emporio Armani, Max & Co, Church's, JM Weston, Burberry, Escada

PRIME RETAIL RENTS (EUR/sq m/month) AND YIELDS (%)



RETAIL INVESTMENT IN POLAND (million EUR)



MAJOR INVESTMENT TRANSACTIONS IN 2008

RETAIL SCHEME	CITY	ESTIMATED YIELD	PURCHASER
Plejada Extension	Sosnowiec	6.8%	St Martins Europe
3 Stawy	Katowice	6.7%	Union Investment
Fashion House I Ph.	Sosnowiec	6.5%	AIB Polonia
Fashion House I Ph.	Gdansk	6.5%	AIB Polonia
Fashion House III Ph.	Warszawa	6%	AIB Polonia

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VACANCY

In the last twelve months, thriving retailers demand decreased the vacancy rates to 0 - 3% in the most successful existing shopping centres in Warsaw. The vacancy in schemes of lower popularity and in less favourable locations is slightly higher.

The overall vacancy rate is expected to be stable this year. We do not expect any major increase of stock in 2009, with only one shopping centre planned to be opened. This along with slightly limited retailers activity will probably not influence the level of the availability in Warsaw.

RENTS

Warsaw still remains one of the most expensive retail locations in Poland with the prime rents at the level of EUR 65 - 100/ sq m/month for the best shop of approximately 100 sq m situated in the finest shopping centre. The service charges are at the level of EUR 5 - 8/ sq m/month.

Prime high street rents are at the level of EUR 80 - 90/ sq m/month, but in some locations they even reach EUR 100/ sq m/month.

In retail parks rental rates and service charges for units of approx. 1,000 sq m are in general EUR 10 – 12 and EUR 3 – 4 /sq m/month respectively.

RETAIL INVESTMENTS

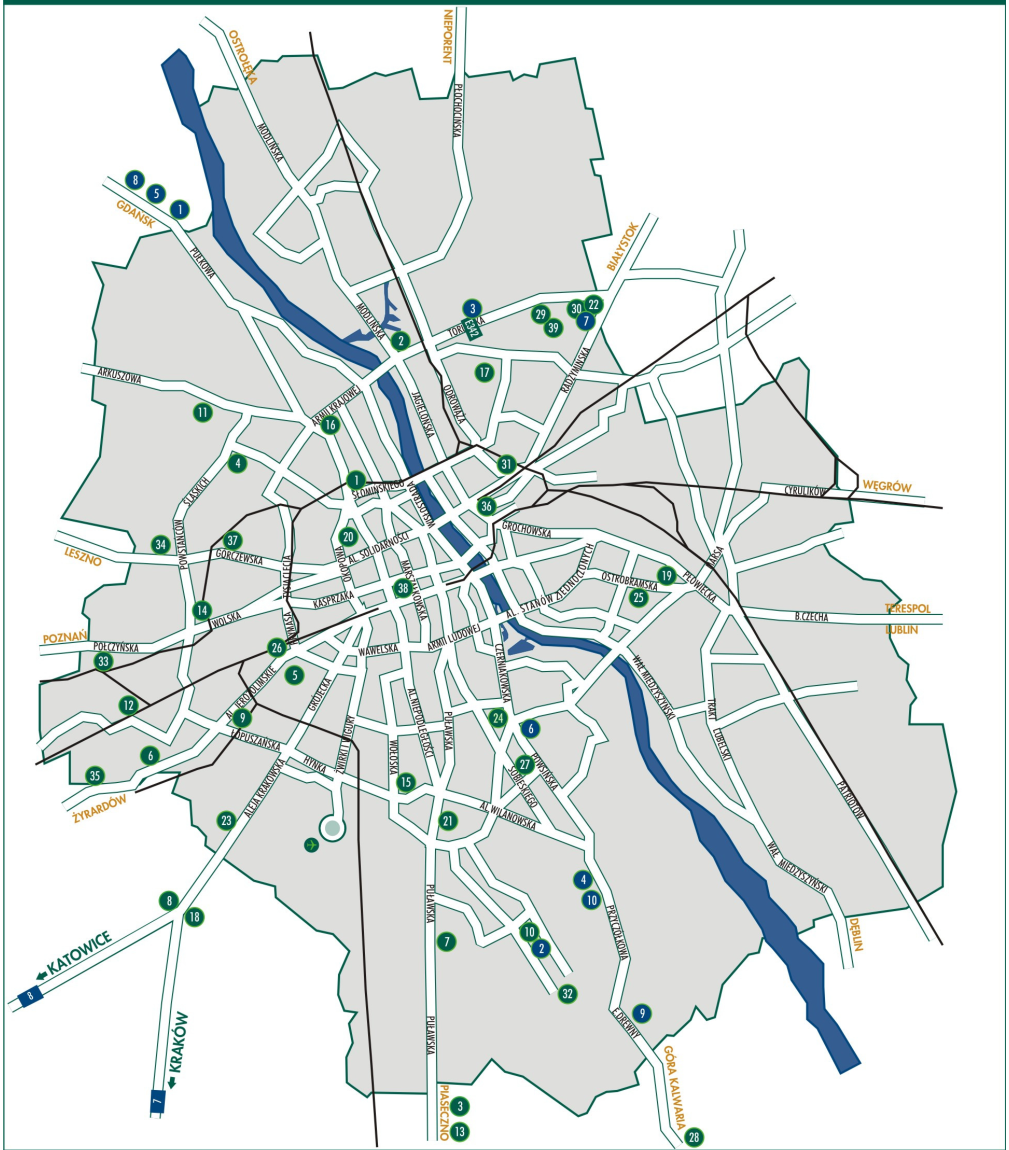
In 2008, the Polish market registered 14 retail transactions with a total volume of over EUR 461 million, which is almost two times less then the year before.

There was only one transaction in Warsaw – the sale of the third phase of Fashion House for EUR 18 million. The centre was purchased by AIB Polonia.

The other significant regional transactions in 2008 included: the sale of the Three Stawy shopping centre in Katowice for EUR 95 million and the sale of Turawa Retail Park for EUR 70 million, as well as the sale of the first phase of Fashion House Gdansk for EUR 30.5 million.

Prime yields are currently quoted at 6.7 - 6.8% and we expect them to oscillate at around 6 - 7% for the nearest future.

WARSAW MAP



THE LEGEND

EXISTING RETAIL SCHEMES

1. Arkadia
2. Auchan Warszawa
3. Auchan Piaseczno
4. Bemowo Centre
5. Blue City
6. Centrum Familijne
7. Centrum Ursynów
8. Centrum Janki
9. E.Leclerc, ul. Jutrzenki
10. E.Leclerc, ul. Ciszewskiego
11. E.Leclerc, ul. Aspekt
12. Factory Outlet Center
13. Fashion House Piaseczno
14. Fort Wola
15. Galeria Mokotów
16. Galeria Żoliborz
17. Galeria Rembielińska
18. Janki Retail Park
19. King Cross
20. Klif
21. Land
22. M1 Marki
23. Okęcie Retail Park
24. Panorama
25. Promenada
26. Reduta
27. Sadyba Best Mall
28. Stara Papiernia Konstancin-Jeziorna
29. Targówek Centre
30. Targówek Retail Park
31. TESCO ul. Stalowa
32. TESCO ul. KEN
33. TESCO ul. Połczyńska
34. TESCO ul. Górczewska
35. TESCO ul. Tysiąclecia
36. CH Wileńska
37. Wola Park
38. Złote Tarasy
39. Zielony Park Handlowy

PLANNED RETAIL SCHEMES

1. Auchan Łomianki
2. E.Leclerc Extension (Ken Center)
3. Factory Outlet Białołęka
4. Forum Wilanów
5. Immoconsult Outlet Łomianki
6. Libretto Park
7. McArthur Glen Outlet
8. Outlet Village Łomianki
9. Rynek Powsiński
10. Wilanów One

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