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## A WORD FROM OUR CEO

As we are nearing the end of the year we have had another exciting month at EPP. Notably we announced our €692million acquisition of the M1 portfolio comprising 12 retail properties across Poland. Not only offering an entry yield of more than 7%, once complete the transaction will nearly double our portfolio to 26 properties with a portfolio value of €1.950 million. This is a critical step in our objective of building a leading retail landlord that leverages both its scale and relationships to be a leading cash-generating property company with consistent high returns to shareholders. (Read more here: [SENS](#), [Presentation](#), [Movie](#))

### **Operational update**

It's been a busy period at EPP with the bolstering of our in-house asset management and leasing team as outlined in [last month's newsletter](#). We have grown our EPP team with new members and this dynamic team has been busy working on improvements, enhancements and modernisation of our portfolio. The strengthened team is also well positioned to meet the challenges of an enlarged portfolio following the M1 acquisition.

Our major portfolio events and plans include:

- Successful opening of the Galaxy extension (15 000m<sup>2</sup> additional GLA) –[read more here](#)
- Opening of the third phase of Outlet Park Szczecin (3 300m<sup>2</sup> additional GLA)
- Planned extension of Olimpia in Bełchatów (approx. 10,000m<sup>2</sup> additional GLA)
- Signing of top new leases including TKMaxx in Amber in Kalisz marking a new market entry for the region
- Planned refurbishments include a refresh of Pasaż Grunwaldzki's interiors as well as a refurbishment and rethinking of our food courts at selected projects

In our last newsletter for the year we have provided another update on the stable and liquid Polish economy, developments in our portfolio with the highly successful opening of our extension to Galaxy in Szczecin.

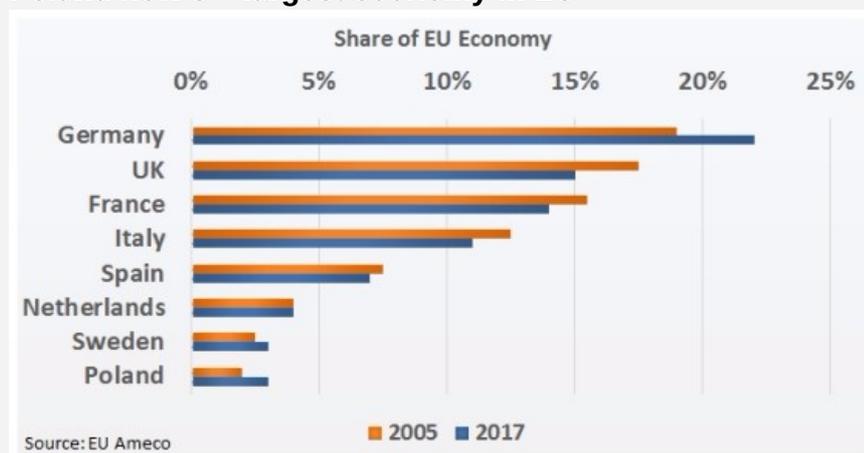
Lastly we wish everyone well over the festive season and look forward to an equally exciting, prosperous and successful 2018!

Hadley Dean  
CEO



## POLISH ECONOMIC STRENGTH TANTAMOUNT TO QUALITY BASE

### Poland now 8<sup>th</sup> largest economy in EU



The Polish economy continues to defy critics. It is expected to grow 4.2% this year and 3.6% next year. It grew an impressive 4.7% in the third quarter of this year which improved forecasts for 2017 and 2018 that were made in July.

The European Commission's autumn European economic forecast indicates that experts believe Poland is enjoying what has become a boom period supported by sustained consumer strength, improving infrastructure, EU support and the impressive work ethic of many Poles.

Growth is expected to be led by domestic demand with private consumption supported by favourable labour market trends as well as record-high consumer confidence.

Industrial production, production construction and retail sales rose strongly (12.3%, 20.3%, 8.0% year-on-year, respectively).

Investment growth should be particularly strong late this year and early next year, due to the use of EU structural donor funds. Poland has been a major benefactor of these funds which have helped the country to position itself as a strong trading partner for Germany, France and the UK.

A strong Poland is good for the EU as a whole. It's also good for central and eastern Europe. Poland has also become the first central or east European country to reach developed country status when FTSE Russell, a British provider of stock market indices and associated data services, at the end of September announced the upgrade of Poland from emerging market to developed market status. This is exciting as it is advantageous for Poland when being compared

with Western Europe in terms of assessing potential investment destinations.

EPP is a part of this strong Polish economy. As the economy grows and develops the retail mix at our malls becomes more diverse too. We continue to attract popular Polish, European and international brands.

Another indication that Poland's economy is thriving is the health of the housing market. The number of houses sold in Poland's six major cities remains at record high levels. This activity in the housing market is driven mainly by low interest rates supported by growth in households' real disposable income. This has affected the housing market through two channels by supporting buy-to-let investors in the housing market. In addition growing rents in a low interest rate environment has resulted in higher returns on investment of rental property than traditional bank deposits could attain.

It has also led to the growth of loans to households for house purchase supported by solid household income growth. The value of new housing loans in Poland increased by an impressive 10% year on year in the second quarter of 2017.

More houses are being built in Poland because of demand for them. Recent data confirmed that this activity continued its robust expansion path in the third quarter of 2017. A high volume of transactions in the housing market resulted in robust growth in building permits and housing starts.

The strength of the Polish economy is evident in its major cities including Wroclaw. Over the past decade, Wroclaw has become such an important economic hub that direct flights are now offered there from the likes of Zurich, Switzerland. Swiss International Air Lines announced in November that it would administer three round trips a week. From April, another airline, Hungary's Wizz Air, will start direct flights from Basel. It's all part of a general increase in air traffic in the university city of Wroclaw of more than 20% a year.

At the same time, major Swiss banks are also boosting their presence in Wroclaw for the first time in years. Credit Suisse now has 4,500 employees there and UBS has 3,500.

The reason for Wroclaw' economic growth is the access to competitively priced but highly skilled labour, tax breaks and recently improved infrastructure.

## **GALAXY SZCZECIN'S UPGRADE IS A MAJOR SUCCESS**

We extended our Galaxy mall in Szczecin by 15 150 m<sup>2</sup> to make it the largest mall in the city, attracting a staggering 300 000 customers in a week. The new part accommodates 45 stores that jointly occupy 15 150 m<sup>2</sup> of gross lettable area, making Galaxy the largest and most modern shopping and entertainment centre in the region, with gross lettable area totalling 56 600 m<sup>2</sup> and 168 stores, service points, cafes, restaurants, and entertainment.

The extension gave EPP the opportunity to bring some popular American, European and new Polish brands to the city of Szczecin. These include fashion brand Forever 21, Italian clothing brand Aldo, Homla and Le Creuset.

Popular and fresh footwear brand, CCC, has taken up a new two-story premises with high, elegant shop windows and an impressive space of 2 267 m<sup>2</sup>. The Szczecin store is now the brand's largest and flagship store in Poland.

"We have done our best to create an ideal environment for our tenants by building the right and broad offering that will attract customers. We have also created a consistent strategy of modernising stores carefully. The strategy is based on the experience that we have gained over some years as well as our ability to respond to the newest market trends. The impressive number of visitors has proven that Szczecin's denizens had been hungry for the extension," says Marek Gładki, Leasing & Asset Management department director at EPP.

By expanding Galaxy, we enhance our customer offering. There is also a brand new, glass façade that contributes to the edifice's modern look. The impressive façade is dotted with a glass dome with a diameter of about 43 m. This

architectural upgrade ensures increased natural light for Galaxy making the building even more visitor-friendly.

The structure's refurbishment began early in the upgrade process and included the replacement of ceilings, floors, wall coverings and columns. This was followed by the extension. The next steps will include replacing lights in the mall as well as a thorough refreshment of the food court.

The list of new tenants includes brands such as Forever 21, Media Expert, Go Sport, Pepco, Sephora, Rossmann, Way to Beauty, Tefal – Home & Cook, Homla, Duka, Sony Center and Samsung Brand Store, Tberelss, the new Calypso Fitness Club with 1,600m<sup>2</sup> and a nine screen Multikino movie theatre.



*Galaxy is the largest fashion shopping and entertainment centre in Szczecin and the largest retail investment in North Western Poland. It is 56,600m<sup>2</sup> of modern, retail space that accommodates some 170 local, Polish and international brands. For many years, customers have recognised Galaxy as the most popular shopping centre in the city. It also holds a prestigious BREEAM Interim certificate proving the building is energy efficient and environmentally friendly. Visitors can also use about 1,500 parking lots at the multi-storied underground car park.*



### Sunday trading update:

The ban on Sunday trade will apply from 1 March 2018. During the transition period which runs until the end of 2018 two Sundays will be closed per month - the first and last Sunday of each month. From 1 January 2019, shopping will only be allowed on the last Sunday of the month, and from 2020 the trading ban will cover all Sundays.

Shopping malls will be allowed to stay open so that cinemas, restaurants, cafes and sport facilities may operate.

The trade ban on Sunday in Poland should not have a long-term impact on turnovers and rental fees. It will rather change shopping habits of consumers. The two-year transitional period will help Poles to adapt to new opening days and shopping mall trading hours. More shopping activity will likely happen during weekdays (lunch breaks and after work) with a strong peak on Saturdays expected. It is possible that some shopping centres may decide to prolong opening hours to a certain extent to compensate for Sunday closing.

The trade ban on Sundays is obligatory in Austria, Switzerland, Germany, Greece, and with some exceptions in France, Luxemburg, Norway, the Netherlands and Great Britain.

[We released our Q3 results for 2017 yesterday, please read more here](#)



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