

# POLAND

*Cushman & Wakefield*  
*Global Cities Retail Guide*



***Poland is located in Central Europe and offers a strategic link between Western and Eastern Europe (most notably Ukraine, Belarus and Lithuania) as well as Scandinavia and other Baltic states via the Baltic Sea to the north. It is the largest of the Central European countries in terms of population with over 38 million inhabitants.***

The consumer market is attractive because of its young demographic (with more than 30% of the population being under 30) and the high number of cities across the country in which to build a store network branch.

Since its transition to a market economy, Poland has experienced sustained economic growth, assisted by its accession to the European Union, which is now its main trading partner. Like many of its neighbours, Poland was affected by the global financial crisis with declining demand for its exports, a slowdown of credit activity and lower foreign direct investment inflows. However, the country fared relatively well as it was the only EU nation to escape recession in 2009, this being attributed to lower dependence on external demand, limited pre-crisis imbalances as well as its enjoying a relatively sound and well-capitalised financial system. Despite a more recent relative slowdown, the country has maintained its reputation as a star economic performer within the EU.

The economic reforms implemented in the early 1990s, coupled with an investment-friendly business climate and growth prospects, have meant that Poland became a key target for international retailers.

The best retail locations in Poland are still to be found in the 8 main cities: Warsaw, Krakow, Lodz, Wroclaw, Poznan, Katowice, Tricity and Szczecin. Warsaw is generally the first port of call, followed by other major cities.



## POLAND OVERVIEW

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## ECONOMIC OVERVIEW

### ECONOMIC SUMMARY

ECONOMIC INDICATORS*	2017	2018F	2019F	2020F	2021F
GDP growth	4.7	4.5	3.1	2.9	3.3
Private consumption	4.7	4.0	3.6	3.2	2.9
Industrial production	6.8	5.3	3.7	4.0	3.0
Investment	2.9	7.1	5.0	4.5	4.3
Unemployment rate (%)	6.7	5.7	5.7	5.2	4.7
Inflation	2.0	2.1	2.3	1.7	1.8
Zloty/ € (average)	4.3	4.2	4.2	4.2	4.1
Zloty/ US\$ (average)	3.6	3.6	3.4	3.3	3.3
Interest rates short term (%)	1.5	1.5	1.5	1.5	1.9
Interest rates 10-year (%)	3.4	3.2	3.2	3.3	3.7

### ECONOMIC BREAKDOWN

Population	38.1 million (2017)
GDP (nominal)	US\$ 525,843 million (2017)
Public Sector Balance	-1.6% of GDP (2017)
Public Sector Debt	51.1% of GDP (2017)
Parliament	Law and Justice has a significant majority in the Parliament being also responsible for the Government.
President	Andrzej Duda
Prime Minister	Mateusz Morawiecki
Election Date	Mid-2020 (Presidential) Late 2019 (Parliamentary)

### RETAIL SALES GROWTH: % CHANGE ON PREVIOUS YEAR

POLAND	2017	2018F	2019F	2020F	2021F
Retail Volume*	6.3%	3.7%	2.8%	3.0%	2.9%

Note: \*annual % growth rate unless otherwise indicated. Figures are based on local currency and given in real terms. E estimate F forecast

Source: Oxford Economics Ltd.

CITY	POPULATION
Warsaw	1,753,977
Kraków	765,320
Lódź	696,503
Wrocław	637,683
Poznań	540,372
Gdańsk	463,754
Szczecin	404,878
Bydgoszcz	353,938
Lublin	340,466
Katowice	298,111
Białystok	296,628
Gdynia	246,991
Czestochowa	226,225
Radom	215,020
Sosnowiec	205,873



# POLAND LARGEST CITIES

# POLAND

## RETAIL OVERVIEW

### MAJOR DOMESTIC FOOD RETAILERS

Stokrotka, Polomarket, Dino

### MAJOR INTERNATIONAL FOOD RETAILERS

Auchan, Carrefour, E.Leclerc, Tesco, Lidl, Netto, Intermarché, Kaufland, Biedronka

### MAJOR DOMESTIC NON-FOOD RETAILERS

LPP S.A. (Reserved, Cropp, Mohito, House), RTV Euro AGD, CCC, Martes Sport, Media Expert, Komputronik

### INTERNATIONAL RETAILERS IN POLAND

H&M, TK Maxx, Deichmann, IKEA, Jysk, Inditex Group, New Yorker, Rossmann

### FOOD AND BEVERAGE OPERATORS

Costa Coffee, McDonald's, Burger King, KFC, Pizza Hut, Starbucks, Green Caffe Nero, Grycan, Subway, Sowa

#### TYPICAL HOURS

##### MONDAY - FRIDAY

07.00 - 22.00 (Food)  
10.00 - 21.00 (Non-Food)

##### SATURDAY

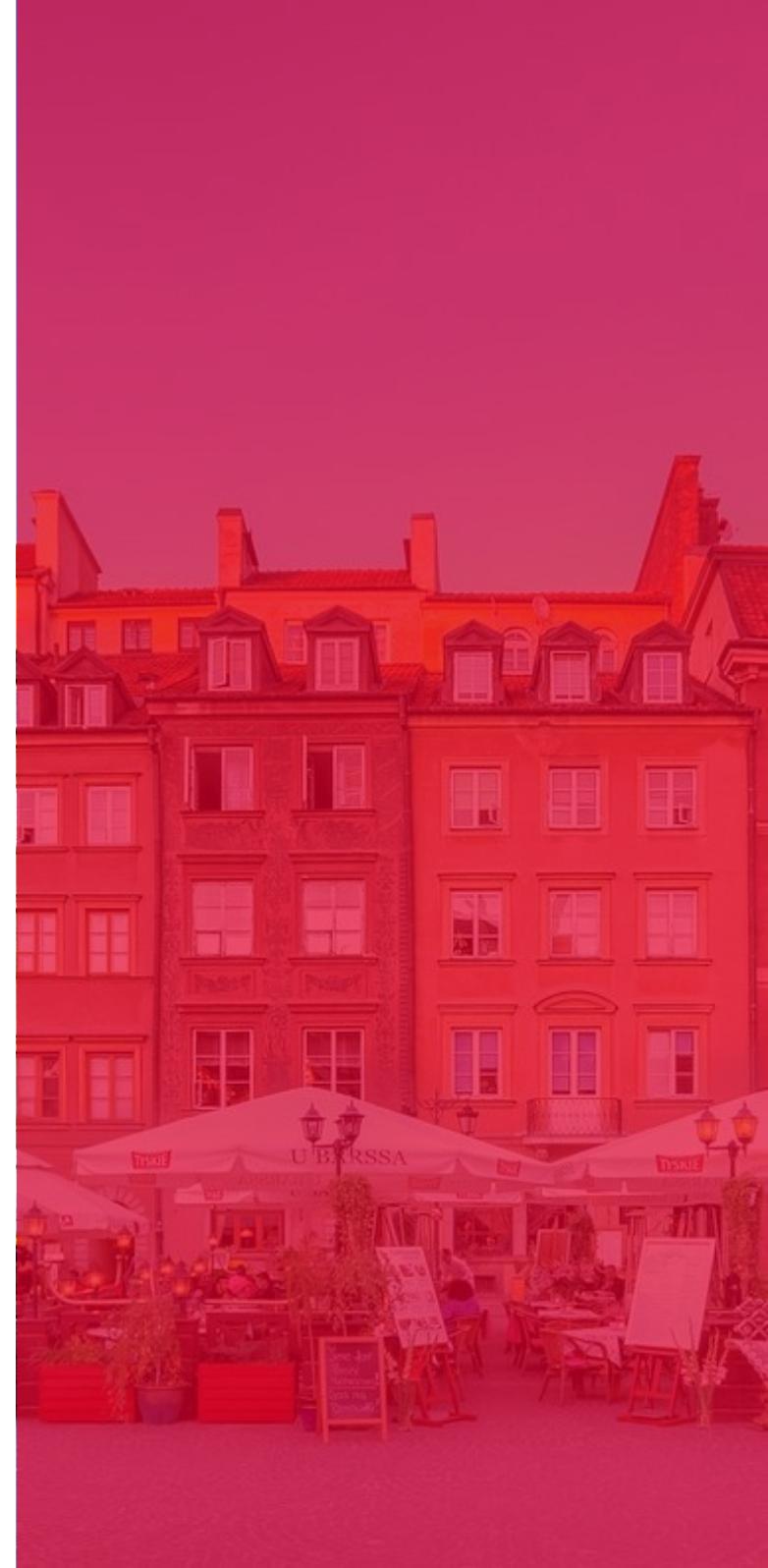
08.00 - 22.00

##### SUNDAY

Sunday trading ban introduced in stages from March 2018; full Sunday trading ban beginning from 2020

#### NEW ENTRANTS TO MARKET

Hamleys (2017)	Zarina (2017)	Nissa (2017)	Tedi (2018)
Newbie (2017)	Love Republic (2017)	Outhorn (2017)	Miniso (2018)
BeFree (2017)	Sfera (2017)	Blue Frog (2017)	Jumi Zumi (2018)
Action (2017)	Carpisa (2017)	Dealz (2018)	



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## THE RETAIL SCENE

**Total shopping centre floorspace increased by 3% over the last twelve months, totalling 10.5 million sqm in 426 centres at the end of 2017. The density of shopping centre retail space in Poland is slightly above the European average (279 sqm/1,000 inhabitants compared to 240 sqm / 1,000 inhabitants in EU27 at the end of 2017). This shows the maturity of the Polish retail market, but great opportunities for development and transformation of existing schemes still exist for investors.**

The number of newly-opened large and very large shopping centres (those above 40,000 sqm) has been stable for several years, with 2-3 new shopping centres opening per year. At the end of 2017, there were 75 schemes of that size in Poland.

More than half the existing shopping centres in Poland - with a total sales area of 7 million sqm - were built 10 or more years ago. This, together with the growing competition amongst modern shopping centres, has meant that it has become necessary to refresh shopping centre space and adjust the available offer to today's standards and changing customer expectations. Modernisations, reconstructions and extensions of the existing retail schemes are ongoing in the Polish market. Extensions accounted for 10% of the total supply of retail space delivered in 2017. Shopping centres with a poor location and offer have been forced to change their commercial activity - into outlet centres for example.

The highest shopping centre density is in cities above 400,000 inhabitants, cities where most investor activity in 2017 was focused, as those markets also have the greater capacity to absorb new retail space. Interest in the retail real estate market in Warsaw has increased significantly, after almost ten years of only moderate activity. A major breakthrough in 2017 was the opening of Galeria Północna, which enriched the market with 64,000 sqm. Another large shopping centre, Galeria Młociny (67,000 sqm), is also under construction.

There is more limited capacity in smaller cities which typically support 1-2 shopping centres of 30,000-40,000 sqm GLA, offering customers quick and convenient everyday shopping.

In cities with fewer than 100,000 inhabitants, shopping centre density is relatively low. These markets often have high buying potential; however, they are still underestimated by investors.

There is a growing share of entertainment and food & beverage space in shopping centres, reaching up to 20% in the most modern shopping centres.

Over the past few years, there has been a continuous growth in retail sales in Poland combined with a growing level of purchasing power and other strong economic parameters. 2017 ended with the economy in very good condition. Low unemployment, an increase in wages and the 'Family 500 Plus' programme (introducing a monthly 500 PLN allowance for every second and subsequent child) contributed to an increase in consumption in Poland. However, legal changes introduced in 2018 (commercial property tax and Sunday trading ban, introduced in stages) are factors that have been a source of uncertainty on the market for a long time. In the short term, it may cause more cautious and prolonged decision-making by all market participants. In the long-term, along with the assessment of the real impact of changes on turnover in retail and taking into account the positive impact of the economic situation, those fears should disappear.

One of the most important challenges for shopping centre owners and managers is the need for integration of traditional sales with e-commerce and m-commerce. The share of online retail value in total retail in Poland is currently around 10% and is still growing. The value of online sales is estimated at around PLN 40 billion. Implementation of the Sunday trading ban may additionally positively affect the development of e-commerce in Poland. However, it should be borne in mind that the possibility of direct contact with the seller, testing and touching the product is still the undisputed advantage of offline shopping. For retailers it seems to be very important not to limit themselves to only one sales channel which brings the long-term threat of loss of competitive advantage and lower sales.



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## SHOPPING CENTRES

### TOP TEN SHOPPING CENTRES BY SIZE

NAME	CITY	SIZE (GLA SQM)	YEAR OPENED
Manufaktura	Łódź	110,000	2006
Arkadia	Warsaw	105,000	2004
Port Łódź	Łódź	103,000	2009
Magnolia Park	Wrocław	99,200	2007
Posnania	Poznań	99,000	2016
Bonarka City Centre	Kraków	91,000	2009
Silesia City Centre	Katowice	84,000	2005
Atrium Felicity	Lublin	75,000	2014
Centrum Janki	Warsaw	68,500	1999
Europa Centralna	Gliwice	67,000	2013

# POLAND

## KEY FEATURES OF LEASE STRUCTURE

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ITEM	COMMENT
Lease Terms	Retail lease terms are generally five to ten years with options to extend. Rents are pegged to the Euro, expressed per sqm per month. By law, rent is paid in Polish Zloty. Shorter leases (2-3 years) with options for extension are becoming more popular, especially in secondary schemes and/or in very competitive markets. Termination options exist in open-ended leases with a 3-6 month notice period. In the majority of purpose-built shopping centres there are restrictive user clauses. Generally, there are no restrictive user clauses in high streets with exceptions in certain cases such as bookshops and pharmacies. Security of tenure varies considerably but is not automatic for fixed-term leases. Under the Civil Code the landlord may terminate the lease if his consent is not obtained and given prior to the change in ownership of the tenant. This situation has only recently been clarified.
Rental Payment	Usually payable monthly in advance, although quarterly is preferred by some. Frequently turnover rents of between 3-10% (depending on use) are employed in new retail developments. Turnover rents are usually subject to a base rent. A security deposit equivalent to between three and six months rent is usually required or the equivalent in the form of a bank guarantee. Frequently a parent company guarantee is also required. Premiums/key money are not common as so few shops have changed hands, although this is likely to change in the future, especially if restrictions on new development increase and when there is more availability in the high street.
Rent Review	Most rents are indexed to Zloty equivalents of the Euro, and are frequently indexed annually to the relevant inflation index. However, sometimes in new shopping centres these are fixed to annual increases of between 2-3%.
Service Charges, Repairs and Insurance	Landlord has responsibility for the main structure (may be charged to the tenant through the service charge). The Civil Code provides that the tenant is responsible for minor outlays and superficial repairs. In a multi-let building, the landlord will provide such services but charge back for them via the service charge. The tenant is also responsible for returning the premises at the end of the lease to their original handover state, with the exception of normal wear and tear, unless otherwise negotiated. The service charge normally includes management fees, security, cleaning, internal maintenance of common areas, external maintenance, servicing of elevators, external insurance, water, heating, air conditioning, property taxes and snow clearance. It excludes internal maintenance and insurance of rented accommodation, electricity and VAT. Landlords are responsible for insuring the main structure while the tenant pays internal third party insurance.
Property Taxes and other costs	The landlord and tenant are each partly responsible for the property tax levied by the local authority. However, these are currently low and the landlord tends to pay the tax and charge it back to the tenant via the service charge. Local taxes are planned to be charged on the value of the property. VAT is levied at 23%

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ITEM	COMMENT
Disposal of a Lease	Sub-leasing is often permitted with the landlord's consent, not to be unreasonably withheld. Assignment of the lease is only possible with the landlord's consent. Early termination is not possible in agreements executed for a definite period, except for cases regulated by the Polish Civil Code. Agreements concluded for an indefinite period can be terminated by written notice (term to be negotiated - usually 3 months). No reinstatement liability ensues from the disposal of the lease. However, some leases may be structured to the contrary although this may be unenforceable under the Civil Code, depending on the lease disposal and how the contract has been structured.
Valuation Methods	Gross Internal Area although in some shopping centres half the thickness of the dividing wall is included. First floor is valued at 70%; basement at 30-50% of ground floor per sqm rate.
Legislation	The Polish Civil Code and The Act on Premises Leasing. In process of harmonisation to EU regulations. While becoming increasingly standardized, leases do still vary depending on whether the landlord is a Polish authority or a developer and according to the nationality of the developer. Leases from a Polish authority tend to be shorter and do not cover all points normally expected in a lease, thus are subject to the Civil Code. Leases from developers vary but in the main are recognizable as a standard lease as encountered in Western Europe. Leases are enforceable but not widely tested in the courts. Due to the lengthy process of taking legal action, parties will generally initially seek to resolve disputes by arbitration.

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