

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	1,764,615
Kraków	767,348
Lódź	690,422
Wrocław	638,586
Poznań	538,633
Gdańsk	464,254
Szczecin	403,883
Bydgoszcz	353,313
Lublin	339,850
Katowice	296,292
Białystok	297,288
Gdynia	246,306
Czestochowa	224,376
Radom	214,566
Sosnowiec	204,013



POLAND LARGEST CITIES

POLAND

RETAIL OVERVIEW

MAJOR DOMESTIC FOOD RETAILERS

Dino, Nasz Sklep, Delikatesy Sezam, Livio

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

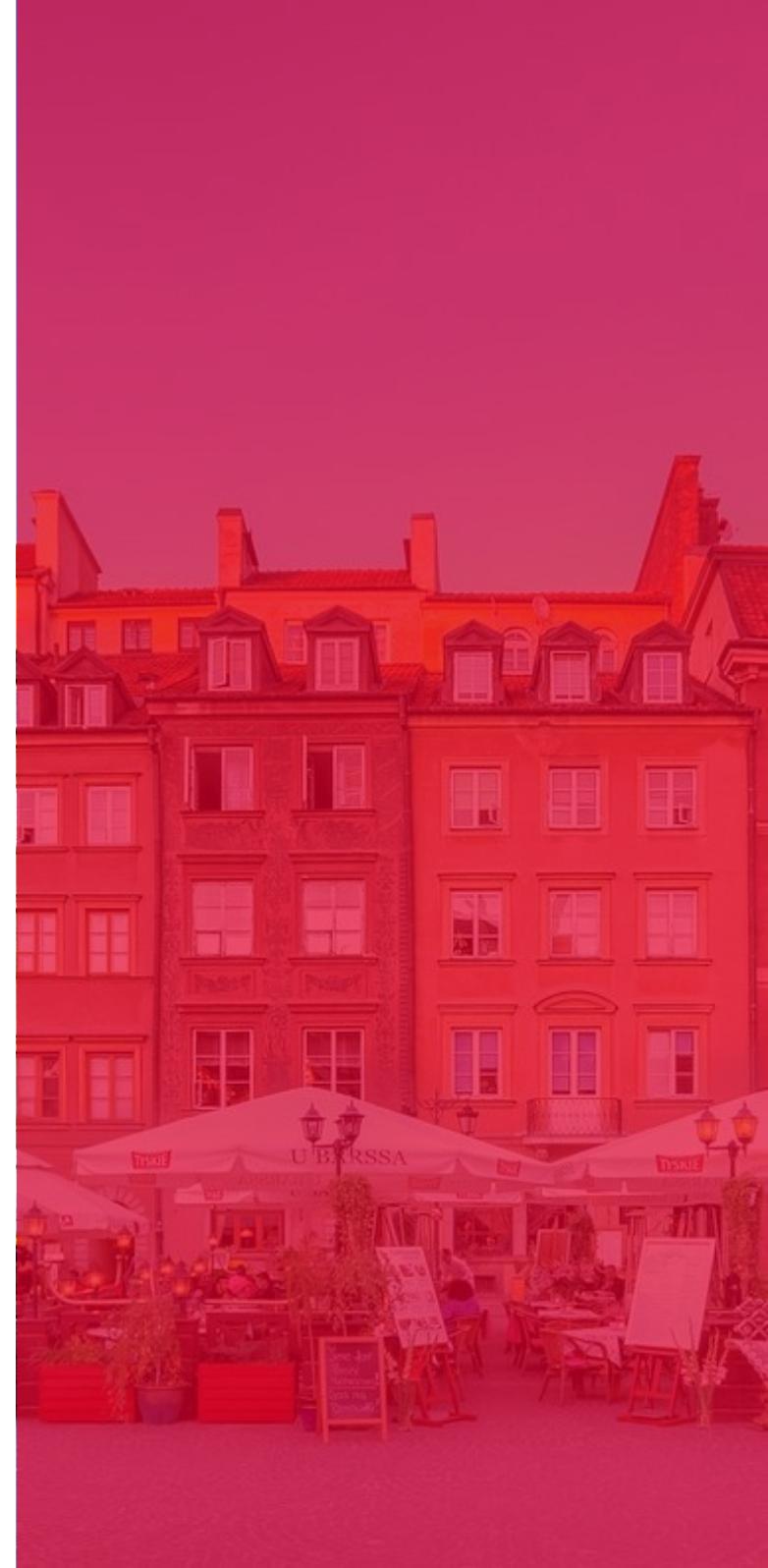
08.00 - 22.00

SUNDAY

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

NEW ENTRANTS TO MARKET

Fissman (2018)	Thomas Sabo (2018)	Kocca (2018)	Joseph Ribkoff (2018)
Dealz (2018)	Tedi (2018)	Saffiano (2018)	FIT/One (2018)
Jumi Zumi (2018)	San Marina (2018)	Mrp Home (2018)	Hunkenmöller (2018)
Miniso (2018)	Ximi Vogue (2018)	Menya Musashi (2018)	TEPfactor (2019)



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THE RETAIL SCENE

More than 420,000 sq m of retail space came onto the market in 2018, bringing Poland's total retail stock to 14.7 million sq m, up by 3%. Nearly 30% of the new supply was delivered in small-scale shopping centres and retail parks sized below 20,000 sq m.

Shopping centres continue to dominate the Polish retail market, accounting for nearly 75% of the nation's total retail stock. At the end of 2018, Poland had 460 shopping centres totalling almost 11 million sq m of floorspace. Last year, more than 270,000 sq m was delivered in this format. Of that total, 85% was completed in 12 new shopping centres while the remaining portion of the new supply came onto the market through extensions of existing schemes. Alongside upgrades and redevelopments, this is one of key market trends in Poland, resulting from the ageing stock, changing customer expectations and ever stronger competition.

In 2018, developer activity focused on both the largest cities, smaller cities and towns with a population below 100,000. Large urban areas mostly saw completions of medium-sized and large shopping and entertainment centres. In addition, increasingly popular mixed-use schemes are being opened. Several existing shopping centres have been extended. Smaller cities with lower shopping centre density rates, weaker market competition and a very high purchasing potential are seeing smaller convenience retail developments targeted at local consumers. Together with extensions, approximately 20% of new shopping centre supply in 2018 was delivered in smaller cities.

The Polish shopping centre market is mature with shopping centre density remaining high in some cities. Poland's average shopping centre density is approximately 280 sq m per 1,000 inhabitants, still below the average for Western European countries standing at approximately 330 sq m per 1,000 inhabitants. It is worth noting, however, that Polish retail is centred almost entirely on shopping centres with a dearth of high street retail. By contrast, high street retail in Western European cities is strong and shopping centres very often complement high street offers.

At the end of 2018, the average vacancy rate for Poland's eighteen biggest cities remained at a low of 3.1%. Vacancy rates, however, vary considerably by shopping centre and strongly depend on the attractiveness of a retail offer.

More than 360,000 sq m of shopping centre space is currently under construction or has a valid building permit; approximately 270,000 sq m of that total is expected to be handed over by the end of this year. The largest retail scheme underway is Warsaw's Galeria Młociny (more than 70,000 sq m), which is scheduled for delivery this spring.

Many shopping centre managers and landlords are intensifying their efforts to adapt their offers to growing and changing expectations of Polish consumers, reflecting an overall trend also seen in other countries.

Eating out is not only an alternative to eating in, it has become a leisure activity to be enjoyed with family and friends. What leading fast-food restaurants offer is not enough and shopping centres are beginning to feature good-quality restaurants with waiter service and new F&B concepts that go far beyond traditional food courts. New dining zones and concepts were completed in many shopping centre schemes.

E-commerce is also expanding at a rapid pace. All market players are beginning to see more and more benefits of both online and offline platforms becoming intertwined and complementing each other.

The introduction of Sunday trading restrictions was one of last year's market highlights. During the first ten months of the new regulations in force, average shopping centre footfall was down by 6% and turnover fell by 2-3% compared with the same period a year earlier. High household consumption, which remains the key driver behind Poland's economic growth, substantially mitigated the adverse effects of the Sunday trading ban.

Poland boasts strong economic fundamentals, thereby attracting global brands. Approximately 30 new brands chose to expand into the Polish retail market in 2018. The Irish fashion retailer Primark has also announced its entry into Poland and the opening of its first Polish store at Galeria Młociny in Warsaw this spring.



POLAND

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
Centrum Janki	Warsaw	78,400	1999
Atrium Felicity	Lublin	75,000	2014
Europa Centralna	Gliwice	67,000	2013

POLAND

KEY FEATURES OF LEASE STRUCTURE

KEY FEATURES OF LEASE	
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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