

OPINION

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STILL ENORMOUS POTENTIAL IN POLAND



Paul Kusmierz, CEO of Master Management Group. Image: Master Management Group

Poland has been a free market economy for nearly 30 years and in that time, the retail landscape has been completely transformed. This is perhaps most apparent when it comes to the way we shop.

By Paul Kusmierz

Before 1989 there wasn't a single shopping center in Poland, whereas now, there are close to 500 offering over 13 million sq m of retail space—and these numbers continue to grow each year. In 2016, 463,000 sq m of retail space was delivered to the market.

Despite dynamic growth, this is still not enough for retailers who are eager to enter the Polish market and those wanting to expand the stores they already have. One reason is that, although some cities, such as Poznań or Wrocław, enjoy high saturation with modern retail space (approximately 764 sq m and 817 sq m per 1,000 inhabitants respectively), others, such as Warsaw, are still

far behind, as indicated by a vacancy rate of just 1.6% and half the per capita retail space of market leaders.

At the same time, disposable income in Warsaw is almost double the national average! Another reason is that many Polish towns lack high streets or shopping precincts of the kind we are used to in the rest of Europe. Warsaw, the capital, is a case in point, although hopefully that is slowly changing.

Retail chains want to increase their market penetration, but often can't, as there are not enough projects suited to consumers' evolving habits and expectations in Warsaw and smaller cities, where people are nonetheless hungry for the modern retail experience.

Overall, the situation in Poland is extremely bullish. Occupancy rates in many smaller cities are at 100%, sales are increasing, footfall is rising y-o-y, and there is a demand for shopping centers that are not only places to shop, but places for enjoying oneself.

People are increasingly going to malls to spend time with friends, sample different cuisines, enjoy cafes, restaurants, and bars, see a movie, or work out at the gym.

A chain of fitness clubs in Poland recently conducted research that demonstrates that 85% of customers who came to the gym also shopped at the mall where the club is located. This shows that the retail and leisure and lifestyle components of a project fuel each other and drive sales.

Poland has seen numerous market debuts, with retail chains eager for a presence in a country with a relatively young population, a robust economy, and rising wages. Several established brands have recently left the Polish market or announced their intention to do so, however.

I would not interpret this as a sign that Poland cannot absorb more retailers. Rather, I would advise and caution chains that this is a competitive market with price-sensitive, savvy shoppers who know how to look for the best deals and value good service, so retailers need to prepare accordingly.

Meanwhile, shopping center investors and developers can count on success, provided they are the dominant center in a given catchment area and are easily accessible. In essence, this comes down to an excellent location with good transport links, easy access by car and ample parking, and a tenant mix that makes the center a part of people's everyday lives—a supermarket, a good fashion footprint, a drugstore, a pharmacy, a gym, a food court, a cinema, and plenty of other services.