Chapter III

DEVELOPMENT OF SHOPPING MALLS IN POLAND

1. Directions of the expansion of foreign investors in Polish trade

The development of trade at the turn of the 20th and 21st century is related to the appearance of transnational concerns and their expansion into foreign markets. The expansion is caused by stagnating sales in their own (domestic) national markets accompanied by increasing competition and search for new opportunities for the development. The internationalisation of business of concerns is favoured by [Strużycki 1996, p. 17]:
– legal regulations of countries which restrict the development of large-area commercial facilities;
– globalisation and integration of individual national economies, their sectors and companies, as a result of which consumption patterns become similar and new segments of consumers of similar expectations towards products, conditions for their provision and sale appear;
– development of information technologies which make it possible to skilfully and efficiently manage transnational companies;
– factors related to conditions for entering new foreign markets: high capacity, growth trends of vertical markets, degree of openness of the economy, liberal law.

The main consequence of the internationalisation is the intensification of the process of capital concentration in trade; mergers and acquisitions take place and, as a result, the position of the largest companies in the European and global market strengthens. The phenomenon of globalisation, *i.e.* global expansion of large international companies, is becoming a characteristic feature of modern economy.

The globalisation understood as a process created by global phenomena or actions [Śliwińska *et al.* 2003, p. 7] consists in the intensification of cooperation, interrelationships and interdependence between countries and societies, which constitute the global community. Different types of relations and connections in the global system are gradually and simultaneously expanding and intensifying [Zorska 1999, p. 15].

The globalisation of trade comes down to a couple of regularities: the first one is the increase in the internationalisation of the activity of commercial enterprises, and the second is the increase in the significance of integration and concentration of trade. One of characteristic features of modern trade is the search for new forms of sales, *e.g.* by spreading the latest technology, especially electronic technologies.

The development of the process of globalisation of trade is closely related to the expansion of foreign commercial enterprises, which constitutes a natural method for the development of a company which faces limitations in the current market. Currently, the globalisation of trade takes place by means of the activity of large commerce concerns, which develop their retail chains on an international scale, which dispose of large financial, technological and organisational resources. An important indicator of competition between big commercial concerns operating on a global scale are [Sławińska 2001, p. 7]:
– volume and organisation of purchases for the entire chain affecting the terms of purchase,
– great recognisability and positive image,
– capital resources,
– technologies for sales.

The activity of commercial enterprises in the international market is a symptom of the development of the globalisation process in the economy. The increasing competitiveness and significant saturation of domestic markets, as well as legal restrictions on the development, forced commercial concerns to seek for opportunities to develop in other countries. They have concentrated on those European countries the markets of which were unformed, the structure of trade fragmented and which lacked modern distribution systems. The above presented characteristics fully corresponded to Central and Eastern Europe [Śliwińska *et al.* 2003].

Arguments for expanding business into this market included: [Maleszyk 1998, p. 43]:
– ease of entry into new areas (sectors) of the market,
– liberal law,
– expected economic growth,
– expected development of the banking system,
– increasing market capacity,
– possibility of reducing distribution costs.

Factors constituting barriers for the expansion included [*ibidem*, p. 49]:
– poor access to capital markets,
– high interest rate on long-term loans,
– unclear strategy for economic development,
– regional policy,
– spatial development conditions,
– excessive tax burden,
– technical backwardness,
– low-income consumers.

The activity of the biggest commercial concerns in Central and Eastern Europe resulted in structural changes in trade and initiated concentration processes, *i.e.*:

– development of branches of retail chains/concentration of capital;
– development of large-area stores such as supermarkets, hypermarkets, discount stores/ organisational and technical concentration;
– development of shopping centres/spatial concentration.

It is therefore possible to state that foreign companies conducting business in the form of large-area commercial premises in Poland create a new quality of trade. Modern large-area facilities replace traditional department stores, as they offer better conditions for the purchase of goods. Foreign companies form new patterns of consumer behaviour. There is no doubt that the process of globalisation of trade is reflected in the capital concentration of trade by the creation of multi-employer companies (networks of branches) and international concerns, in the organisational and technical concentration by the creation of, modern forms of large-area trade, as well as in the spatial concentration – by groping commercial establishments in shopping malls. The role of the globalisation is getting more and more significant, as it relates to the disappearance of borders between individual countries and the expansion of companies into foreign markets. Modern trade is gaining an advantage over the traditional, fragmented trade of low economic strength. The advantage refers not only to the volume of turnover and the level of costs, but also to qualitative aspects of the functioning of trade.

After 1989, the largest European commercial corporations began to conduct activities in the countries of Central and Eastern Europe. Poland, the Czech Republic and Hungary became an especially important area of their foreign expansion. In Poland, "pioneers" appeared in 1990. The activity of foreign companies determined the situation and behaviours of Polish commercial enterprises to a large extent.

Despite of initial limitations to the development of economic activity faced by foreign investors in Poland, resulting *i.a.* form the shortage of logistics distribution systems, lack of qualifies personnel, variable tax policy or political instability, many medium and large foreign companies decided to invest their capital in Polish trade. A large part of the market, technical backwardness of the retail chain, increasing demand and the fact that preferences and habits of Polish buyers are, to a certain extent, becoming similar to the behaviour of Western European consumers have become the reason for taking this risk [*Rynek…* 1996, p. 31].

First foreign investments in the sector of trade – supermarkets – were made by the Austrian company Billa (1991) and by a Belgian concern – Globi (1991). In 1992, discount stores and minimarkets Rema 1000 appeared. They belonged to the Norwegian group Reitan. Two years later, the first hypermarket in Poland called HIT was opened (1994). It belonged to German Dohle Handelsgruppe company. During this period, companies with foreign capital conducted extensive research and search for the areas of the market in which they could launch and develop their activity.

Their success was followed in Poland, starting form 1995, by an expansion of Western European "giants" which started the race for the best locations, biggest commercial premises and latest technical solutions.

In the mid-nineties, almost half of the largest foreign retail chains operated in Poland[19]. Operators of French super- and hypermarkets arrived: Leclerc (1995), Auchan (1996), Geant (1996), Carrefour (1997). In Southern Poland, Dutch and German concern Ahold-Allkauf developed its chains, taking over supermarkets "Szalony Max" of Polish Mitex Trade company and discount stores "Sesam". British concern Tesco Plc. took over discount stores "Savia" operating in the region of Posbeskidzie and develops its own Tesco hypermarket chain. German investor Metro AG launched its own discount chain "Tip Discount" and Real hypermarket chain. Austrian company Julius Meinl, in turn, bought out shares of the Major Market company form Cracow and took over its supermarkets. It also launched new ones under the name Major Julius Meinl Market. At the same time, discount chains of German companies: Plus Discount (Tengelman) i Edeka (MDA), and Danish Netto (Netto Dansk Supermarket) have been developing in a dynamic way [Śliwińska 2001]. To sum up, foreign investments in retail include forms of business (Tab. 5) which vary in terms of sales area, assortment and line of business.

Foreign companies started to operate in the Polish market by means of various methods, including mainly:

1) own investments, construction of completely new, own facilities,
2) creation of joint venture companies in cooperation with Polish enterprises,
3) use of franchise agreements,
4) purchase and upgrade of existing Polish establishments.

The choice of the method for entering the market depended on the resources of the company, adopted strategy for action, local conditions and general directions of the company's development. Investments were the most common choice, especially in the case of operators of large-area hypermarkets and supermarkets (Auchan, Carrefour, Geant). It resulted mainly from the lack of enterprises conducting this type of activity which could be taken over and of premises meeting the criteria relating to size and location. For many foreign companies, the way to enter into the Polish market was the use of franchise agreements and the creation of joint venture companies with Polish commercial enterprises (Dohle, in co-operation with Polish Inter Commerce company, launched the first hypermarket in Poland – HIT). The advantage of this form of operation was the knowledge of the realities of the Polish market and of local partners, possibility of sharing costs and risk related to the conduct of the activity.

The franchise system was used primarily in the market for clothing and cosmetics (Yves Rocher chain). Franchise chains of grocery retailers were developed within the framework of Rema 1000, Spar and Costcutter. The purchase and modernisation of Polish commercial premises were in most cases effectuated by operators of discount chains, in particular during the initial phase of the expansion (acquisition of the major-

[19] For years, the largest retail chain in the world has been American Wal-Mart, whose sales revenues constitute approx. 2% of the global trade. Revenues from sales generated by 30 largest retail enterprises constitute jointly 10% of the global trade. The second position in the global ranking of retail companies is occupied by Carrefour, whose sales revenues are three times lower when compared to Wal-Mart.

Table 5

Types of chains and forms of retail developed in Poland by foreign capital

Formats of retail	**Retail of food and non-food convenience products**	
	Hypermarkets	Auchan, Carrefour, Geant, Hypernova, Jumbo, Leclerc, Real, Tesco
	Supermarkets	Billa, Champion, Globi, Intermarche, Max, Major Julius Meinl, Mini Mall, Rema 1000, Robert, Savia
	Discount stores	Biedronka, Edeka, Leader Price, Netto, Plus Discount, Sesam
	Franchise chains of small groceries	Costcutter, Spar
	Convenience stores at petrol stations	British Petroleum, Shell, Statoil
	Retail of non-food products	
	Construction hypermarkets	Bricomarche, Castorama, Lapeyre, Leroy Merlin, Obi, Praktiker, TTW Dom i Ogród
	Specialist department stores	IKEA, Conforama, Elektroland, Media Markt
	Department stores	Marks & Spencer
	Chains of shops with clothing and shoes	Adler, Arnold Happening, Bata, Benetton, But Hala, C & A, Cubus, Deni Cler, H&M, Lee Cooper, Levi Strauss, Max Mara, Reno Obuwie, Royal Colection, Terranova, Zara
	Chains of shops with cosmetics and toiletries	Rossmann, Sephora, Super-Pharm, Yves Rocher
	Chains of shops with articles related to leasure, recreation, entertainment and culture	Empik, Extrapole
	Chains of shops with sportswear and sports equipment	Adidas, Decathlon, Go Sport, Giacomelli, Intersport
	Chains of shops with office equipment	Office Depot
	Specialist shops offering food products	
	Chains of shops with tea, coffee	Demmer's Teahouse, Whittard, Coffe Haven, Pożegnanie z Afryką
	Chains of shops with alcoholic beverages	Georges Ballantines
	Chains of shops with confectionery products	Fleury Michon
	Forms of non-store-based retailing	
	Chain marketing	Avon, Oriflame
	Mail-order trade	„Świat Książki" Club, Otto (Bon Prix, 3 Suisses), Quelle
	Electronic trading	Amazon

Source: Own work based on: [Zaorska 2002, p. 120].

ity of shares in Savia supermarket chain by the British concern Tesco). The diversity of forms of and strategies for entering the Polish market, as well as for further development of activity, by foreign commercial enterprises, is consistent with the general trend towards intensification and diversification of expansion on a global scale.

The analysis of foreign investment in the Polish trade by type of facility shows that in the period 1990-2008[20]:

1) 45.5% of total expenditure was spent on the construction of supermarkets, hypermarkets and discount stores located mainly in shopping centres;
2) 22.6% of expenditure was allocated to the development of service stations with a retail and service facilities (convenience stores, restaurants and snack bars), as well as to the distribution of motor vehicles;
3) 16% of expenditure was spent on investments integrating retail and wholesale trade;
4) 10.3% of expenditure was allocated to the development of wholesale warehouses, distribution centres and logistics services;
5) 5.6% of expenditure was invested in the development of specialist chains, mainly franchise chains, creating innovative forms of trade and specialist lines of trade.

An important position among investors in the Polish market is occupied also by British companies operating in the market for food products (Tesco) and in the fuel market (BP).

Foreign companies invest in large-area trade and therefore concentrate a significant part of sales area with a small number of shops.

To sum up, it is possible to state that foreign commercial enterprises increase their share in the turnover of the Polish trade[21] and have a significant impact on the development and modernisation of the retail chain. The influence of foreign retail chains on structural and qualitative transformations of the Polish trade, in particular on the process of their concentration, covers:

– polarisation of diversified chains and concentrating them within a small group of companies which are market leaders (Metro AG, Tesco);
– development of massive sales chain (hyper- and supermarkets, discount houses) playing the main role in the organisational and technical concentration of trade in Poland;
– progressive development of chains in areas in which it is possible to observe a diversification of needs, isolation of separate groups of buyers and segments of the market and ongoing process of individualisation of service, accompanied by the creation of diversified and innovative forms of trade;
– development of new forms of co-operation between industry and trade, which shortens the course of the goods and increases purchase transactions;

[20] Data of the Polish Foreign Investment Agency.

[21] To present the size and structure of foreign retail corporations operating in Poland, it is necessary to use studies and analyses of PAIiIZ, *e.g.* the list of the largest investors in Poland. More information on the subject can be found in: [Kowalska 2012, p. 76].

– initiation and acceleration of changes in building solutions, organisation of trade, technical progress, furnishing of commercial establishments.

Changes of qualitative nature include [Wysokińska 2001, pp. 131-132]:

– introduction of new market channels,
– modernisation of trade,
– transformation and internationalisation of trade,
– improvement of the quality of customer service and better fulfilment of customer needs,
– concentration of trade,
– intensification of competition in the market,
– stimulation of cooperation and integration,
– introduction of new legislation and administrative regulations.

Foreign commerce companies have changed polish trade, contributed to the increase in the number of forms of trade and to its modernisation, introduced a new quality of services and a modern way of operation. They also have a huge impact on the concentration in trade, integration and internationalisation. The presence of foreign companies is perceived by both domestic commercial enterprises (increasing competition) and by buyers (convenient shopping, comprehensive provision of services, high quality of services).

1. Creation and development of shopping malls in Poland

Until the 1990s, mainly small, traditional shops operated in Poland. Individual, large-area department stores and supermarkets localised in the largest cities were not characterised by features of shopping centre. First shopping malls were established at the end of the 1990s (Galeria Mokotów, M1 Czeladź, Centrum Handlowe Janki) and those were mainly facilities of first and second generation. They were located primarily on the outskirts of cities or away from them, and they were suitable for customers with cars. In subsequent years, next generations of centres developed in Poland, in new locations, with new assortment and a range of additional functions.

Their development implied changes in the size, structure of tenants, architectural form, locations and functions exercised by centres. The fact that shopping malls were built in the suburbs of cities and urban agglomerations or even away from them was caused by urbanisation processes and the formation of satellite systems around cities, as well as transport difficulties connected with getting to downtown centres, as the number of personal vehicles was rapidly increasing. This trend of the development of shopping centres of the first generation began at the first stage of their formation in the USA, in Western European countries and in Poland [Maleszyk 2000a, p. 27]. The appearance of new settlement complexes, both within urban structures and in the outer areas, resulted in favourable conditions for the creation of shopping centres of local and sub-regional character. Such type of shopping malls of second generation developed mainly in Western European countries within the framework of programmes for the modernisation of cities and urban agglomerations [*Handel…* 1987; Zipser 2004, pp. 117-126; Zipser 2006]. In Poland, regional shopping malls are built principally in the largest urban agglomerations and in peripheral, the outer zones of metropolises (in the outer metropolitan zones).

Modern concepts related to urban planning, which provide for the separation of service functions in downtown centres in order to revitalise and stimulate them, constitute an inspiration to create a new, third generation of shopping centres with extended entertainment functions and professional services. A particularly interesting element contained in the designs of such shopping malls is the unique, original character of the offer of services of citywide and regional character. Shopping centres of the latest generation are currently under intensive development. These multifunctional, integrated premises are becoming not only a shopping destination, but also a place in which it is possible to satisfy other needs: social and cultural needs, the need for entertainment, recreation, sport or relaxation. At another stage of development, the so-called facilities of fourth and fifth generation have occurred. They are distinguished by impressive architectural design, careful interior design, number of exercised functions, modern technological solutions and extensive marketing strategy which uses a wide range of means to attract the attention of consumers. There are also housing estates, hotels and offices built within them. They also provide specialist services, *e.g.* medical and consulting services, and even universities, churches, theatres or art galleries. A characteristic element of a new generation shopping mall is housing development situated in the immediate vicinity of the shopping centre. What is more, malls should have an appropriate structure. There has to be a kindergarten, a nursery or a specialist outpatient clinic[22]. The aim of the project is to create a "city within a city". As an example, it is possible to mention Manufaktura Łódź, Stary Browar in Poznań, Złote Tarasy in Warsaw, Galeria Krakowska or Silesia City Centre in Katowice (next to which Dębowe Tarasy settlement was created – a residential property complex and an office block; a hotel is also planned to be built). The power of influence and the attractiveness of a new generation shopping centre are no longer determined by the possibility to buy a comprehensive set of products, but primarily the choice of ways to spend free time offered to buyers. It is provided by a diversified, often surprising offer of goods and services, which is precisely adjusted to the expectations and aspirations of strictly defined groups of customers. In view of a wide and extensive offer of goods and services, new generation shopping malls dispose of large surfaces, from a dozen to almost 200 thousand m^2 of useful floor area. They are actually a form of settlement similar to small commercial and service towns, located on the outskirts of large conurbations or at some distance from their borders, also in

[22] http://www.zw.com.pl, 03.05.2009.

modernised or revitalised downtown quarters of cities, including renovated railway and bus stations, airports and other places which can be accessed in a convenient way. The originality of functional and spatial as well as architectural and construction solutions is conform to the principle of integration of the natural and urban environment. The objective is to create conditions in which purchasers could feel comfortable and participate in the functioning of the centre. The real magnets of new generation shopping malls are no longer large-area stores. such as hypermarkets, department stores or trade stores, but commercial complexes with a determined offer of ways to spent leisure time.

In 2005, 184 modern shopping malls operated in Poland, while in 2012 there were already over 380 malls. At the end of the first half of 2012, the total volume of shopping mall surface in Poland amounted to almost 8,973,400 sq. m. of Gross Leasable Area (GLA). The surface of existing shopping centres amounts to 1.29 million sq. m. GLA in cities of up to 100,000 residents, 1.46 million sq. m. GLA in cities of 100,000-200,000 residents, 1.05 million sq. m. GLA in cities of 200,000-400,000 residents and 5.17 million sq. m. GLA[23] (Gross Leasable Area) in the largest agglomerations. Due to the growth rate of new retail space (*ca.* 15% a year), as of the 2008 (175 sq. m. per 1,000 inhabitants), the level similar to those observed in countries such as Germany, Austria or Switzerland has been achieved.

The development of modern shopping malls in Poland takes place according to a scenario similar to the one observed in the Western Europe. The main role in the market is played by large retail chains of transnational scope and strategy for action, such as Carrefour, Leclerc, Rewe, Obi, Metro AG, Jeronimo Martins, Leroy Merlin, Intermarche, Casino Group, Castorama and Tesco.

All things considered, it is possible to state that until the end of the 20th century shopping malls of the first and second generation were built in Poland. At the beginning of the 21st century malls of the third generation were created, in the years 2006-2011 the fourth generation of shopping centres was developed and in 2012 investors tend to allocate their capital more and more often to facilities of the fifth generation, *i.e.* in the concepts of a “city within a city”. The structural evolution of shopping malls in Poland leading to the creation of facilities of new generations can usually be observed in the largest cities, while the quantitative development of this form of trade is taking place in a dynamic way in medium-sized towns and in small centres.

2. Location of shopping malls in Poland

The location of shopping malls in Poland has been changing along with the evolution of this form of trade, new functions of centres, changing expectations of buyers and concepts of urban planners and architects. There is no doubt that the latest

[23] Gross Leasable Area (GLA).

trends related to the location are observed in the largest Polish cities, but changes can be observed also in small and medium-sized units.

While considering the general location of modern commercial premises, one has to notice that the dominant position belong s to large cities. According to the Colliers International report, in 2012 slightly over 5 million m^2 of modern sales area were located in eight largest Polish cities, which corresponds to 66% of total supply[24]. As far as the supply is concerned, the biggest markets of modern sales area in Poland has since many years been Warsaw (1.37 million m^2) and the Silesian agglomeration (905,000 m^2).

Among large cities, the leader in terms of the amount of sales area in Poznań (984 m^2 per 1,000 residents), followed by Wrocław (863 m^2 per 1,000 residents), Warsaw (about 830 m^2 per 1,000 residents) and Łódź (649 m^2 per 1,000 residents)[25].

The surface of shopping malls operating in the Polish market amounts to 1.29 million m^2 GLA in cities of up to 100,000 residents, 1.46 million m^2 GLA in cities of 100,000-200,000 residents, 1.05 million m^2 GLA in cities of 200,000-400,000 residents and 5.17 million m^2 GLA in the largest agglomerations (Fig. 2).

Within the group of large cities (200-400 000 of residents), the most considerable amount of surface is offered by Bydgoszcz (187,800 sq. m. GLA) and Lublin (166,430 sq. m. GLA) and Białystok (164,900 sq. m. GLA). Rzeszów (195,500 sq. m. GLA), Opole (174,900 sq. m. GLA) and Bielsko-Biała (157,800 sq. m. GLA) have the largest amounts of sales area among cities of 100,000-200,000 inhabitants. As far as the smallest cities are concerned, the most developed markets include Słupsk (93,200 sq. m. GLA), Nowy Sącz (64,800 sq. m. GLA) and Lubin (64,500 sq. m. GLA). The most significant increase in the supply compared to the same period in 2011 was observed in cities of less than 100,000 residents and in cities of 100,000-200,000 residents.

In total, in the first half of 2012, almost 254,000 sq. m. of shopping malls were commissioned. It constituted a level of supply similar to the level observed the same period of the previous year. The largest malls finished in the 1st and in the 2nd quarter

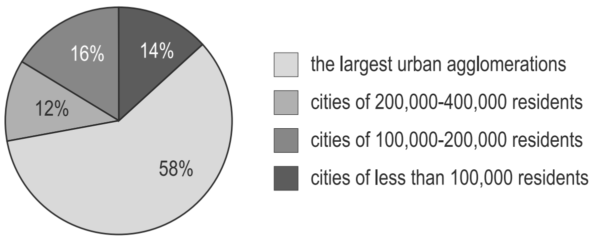

Figure 2. Structure of supply of shopping malls in Poland in the first half of 2012

Source: PRCH Retail Research Forum, August, 2012 (Figs. 2-8).

24 *Rynek powierzchni handlowych w Polsce* 2010 – a Report.

25 For comparison, in 2004 in certain countries, the indicator run at the following levels: Norway – 713 sq. Fm./1000 m., Sweden – 305, The Netherlands – 281, France 209, Austria – 217, Spain – 193.

2012 include Galeria Korona in Kielce, Nova Park in Gorzów Wielkopolski, Sky Tower in Wrocław and Alfa Centrum in Grudziądz. In the first half of 2012, the share of small and medium-sized towns in total amount of sales area increased again (form 41.5% to 42%). It is also possible to observe further considerable share of expansions: by 37,700 sq. m. GLA in total (15% of total supply), the biggest one of which is the expansion of Centrum Handlowe Jantar in Słupsk – by 15,500 sq. m. GLA – and the third stage of the expansion of Magnolia Park in Wrocław – by 10,200 sq. m. GLA (Fig. 3).

At the end of the first half 2012, over 870,000 sq. m. GLA of surface of shopping malls were under construction, 51% of which were located in the largest agglomerations, while 37% – in small cities (of less than 100,000 inhabitants – Fig. 4). Only 12% of new surface is being constructed in medium-sized towns of 100,000-400,000 inhabitants (Fig. 5).

Small towns, the most numerous group in the collection of Polish cities and towns, are more and more often becoming a place of competition for business location for shopping mall investors. It refers especially to towns located in the outer areas of large urban centres. Structural and functional projects of shopping malls elaborated especially for such locations are adjusted in terms of surface, structure of tenants, detailed location, non-commercial offer and rules of operation. Small towns with traditional commercial and service chain (small shops, markets) have until now

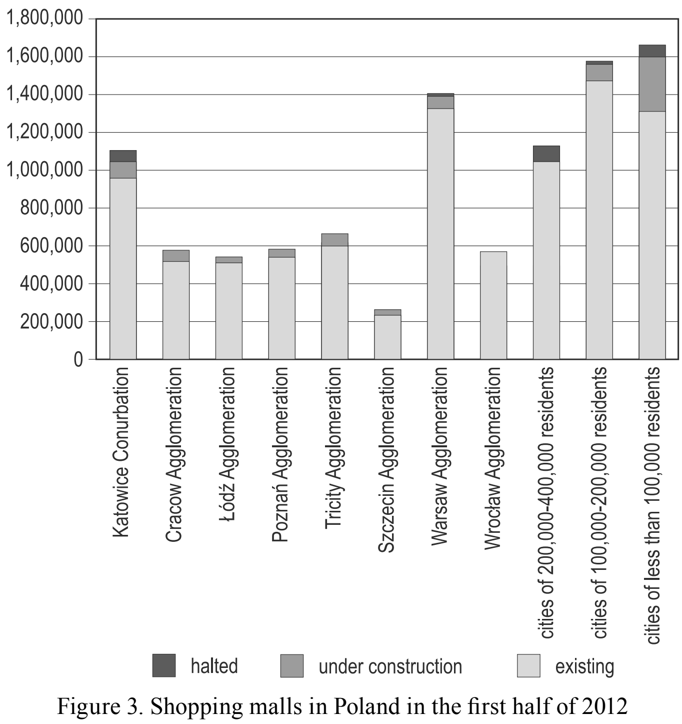

Figure 3. Shopping malls in Poland in the first half of 2012

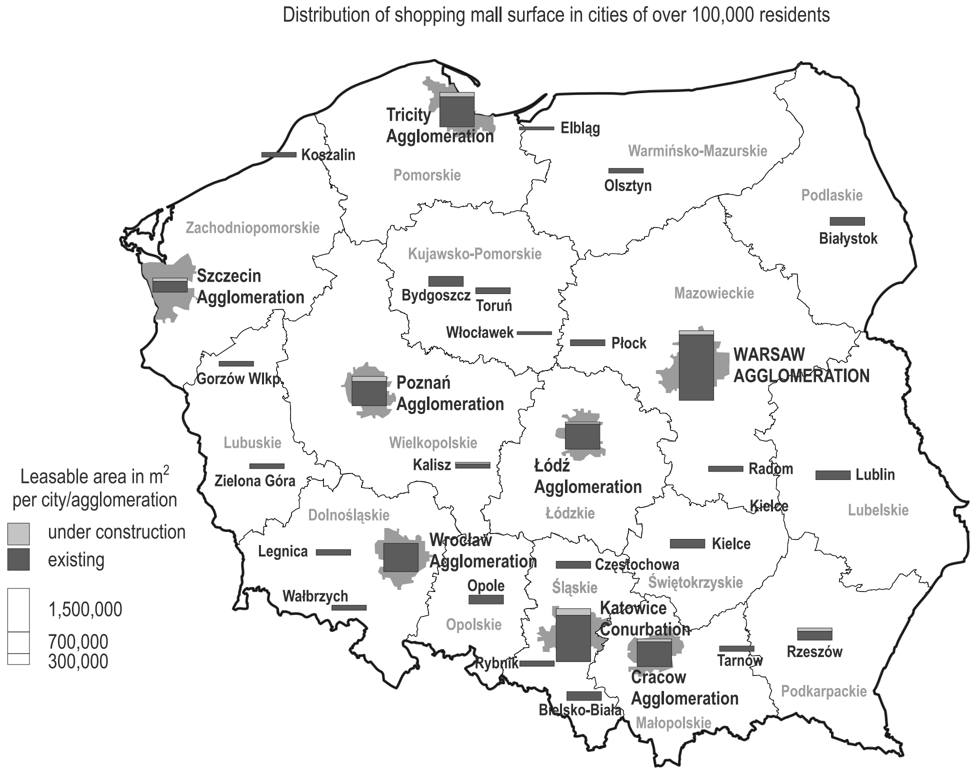

Figure 4. Distribution of shopping mall surface in cities of over 100,000 residents

provided services to rural areas and residents of those towns. Over time, they became a convenient residential location for migrating urban population. The suburbanisation process gained in intensity at the beginning of the 21st century, causing a range of changes, including the interest of shopping mall investors in such a location. In Germany, France, the Netherlands and in Great Britain (*e.g.* Metro Centre near Newcastle), similar processes were taking place in the 1970s and 1980s. They led to the bankruptcy or modification of local commercial and service chain and changed those places into housing estates for residents of big cities [Gorter *et al.* 2003, pp. 219-220].

As it is indicated by the experiences of Western European countries (France, Germany) or of the United States in terms of the location of shopping malls in the outer metropolitan zone, the phenomena may cause major changes in the functioning of those units. Starting from the structure of the commercial and service chain, through changes in transport, migration and labour market [Hall 1989, pp. 105-129].

Shopping mall investors are looking for new locations in towns or on the outskirts of large cities, as in their view there are opportunities to develop. Extensive market research conducted in new locations determine the possibility of the appearance of such investments [Vernor, Rabianski 1993, p. 99]. Although the market is to a large extent

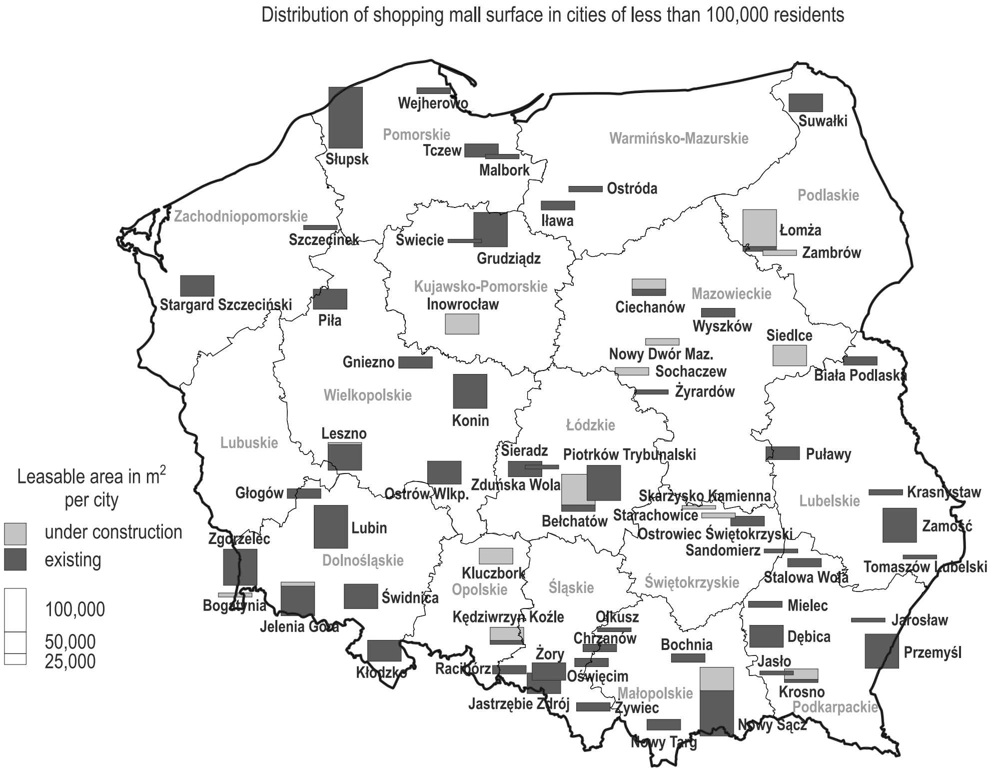

Figure 5. Distribution of shopping mall surface in cities of less than 100,000 residents

saturated with the shopping mall surface, in particular in big cities, a systematic growth in its supply can be observed. The trend of stabilisation of the new supply put on the market in the amount of 500-600,000 m^2 GLA a year, as of 2010 and 2011, persists in 2012 and is supposed to still exist in 2013. Taking the state of works in 2013 into consideration, it is possible to expect about 870,000 m^2 of new sales area to let throughout the country. There are also projects waiting for the construction works to be resumed, as well as projects at an advanced level of development which may be finished after 2014, provided that the global economic situation will allow for that.

At the end of the first half of 2012, the average rate of saturation with modern sales area in the entire country amounted to 233 m^2/1,000 inhabitants and slightly increased (by 4 m^2) from the end of 2011. The average rate of saturation for eight biggest agglomerations currently amounts to 527 m^2/1,000 inhabitants (before, it was 520 m^2) – Tab. 6.

As far as saturation is concerned, the group of leaders still includes: Wrocław (729 m^2 – an increase after Galeria Sky Tower was opened) and Poznań (649 m^2). As for the Szczecin Agglomeration and Katowice Conurbation still occupy the last positions among the largest agglomerations, which authorises the investors to search for location for new commercial premises in those regions.

Table 6

Saturation with leasable area in sq m per 1,000 residents for 8 agglomerations

Agglomerations	Existing facilities	Facilities under construction
Wrocław	729	729
Poznań	649	724
Tricity	601	672
Warsaw	536	560
Agglomeration average	**527**	**572**
Łódź	495	522
Cracow	484	543
Szczecin	427	497
Katowice	427	484

Source: PRCH Retail Research Forum, August 2012.

In the first half of 2012, the most considerable growth in the sales area rate per 1,000 residents took place in Wrocław. Poznań, Tricity and Szczecin are the agglomerations in which the highest activity of developers can currently be observed. After facilities which are under construction today are commissioned, in each of the above mentioned cities the rate of saturation will increase by about 70 m^2. The increase in the rate of about 60 m^2 will result from the construction of new facilities in Cracow and Katowice. The average saturation with modern sales area among 15 cities of 100,000-200,000 residents slightly increased to 745 m^2/ 1,000 residents (Fig. 6).

At the end of June 2012, 380 shopping malls were operating in the Polish market of modern sales area. A considerable majority of those malls represented the traditional format of a shopping centre – as much as 92% of total supply of shopping malls, which translates into about 8.26 million m^2. Retail parks[26] constituted 6.6 % of total supply, *i.e. ca.* 596,000 m^2. The share of retail parks increased by 0.6 pp in comparison with December 2011 due to parks commissioned in the first half of 2012 in Lublin (Park Handlowy Tatary) and in Świeć (Mulitbox). In the market of outlet centres, no changes were observed in the first half of 2012. Total supply of outlet centres in Poland amounted to over 121,300 m^2. In 2012, the group of developers of outlet centres was joined by Echo Investment (with Outlet Park project in Szczecin) and Centrum Targowe Ptak (with Ptak Outlet project in Rzgów near Łódź). The increasing importance of specialist formats of trade is illustrated by their increasing share in the surface of objects which are currently under construction and are planned to be opened in 2013. Although traditional shopping centres are still dominant, over 16% of 870,000 m^2 of currently built malls are retail parks. Most of the projects which are

[26] A retail park is a consistently designed, planned, and managed project, comprising mainly large and medium-sized specialised retail facilities.

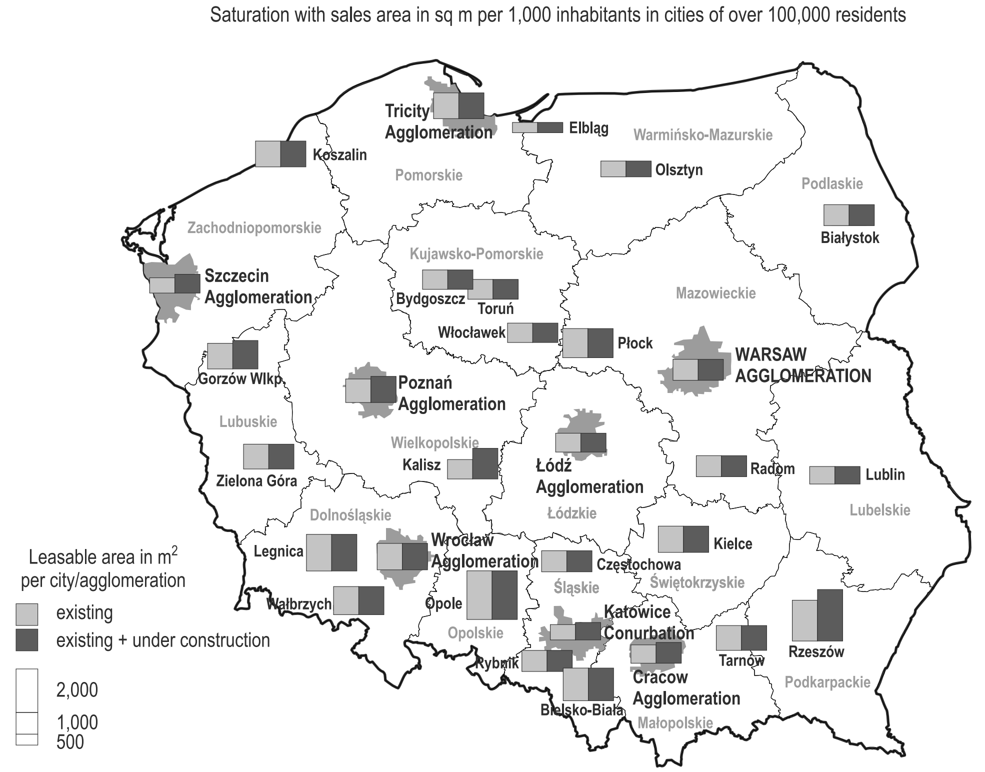

Figure 6. Saturation with sales area in sq. m. per 1,000 inhabitants in cities of over 100,000 residents

under construction are located outside the largest agglomerations (Bogatynia, Kluczbork, Krosno, Lublin, Siedlce or Sochaczew).

Traditional shopping centres in Poland are in most cases located in eight main agglomerations (55% of the surface). It results both from the fact that 150 of 352 traditional shopping malls operate in the said locations and form the size of those facilities, as they offer a larger leasable area than malls located in smaller cities and towns. In cities of 200,000-400,000 inhabitants, about 12% of surface of modern shopping centres is concentrated, while in cities of less than 100,000 inhabitants – about 15%. Higher supply of shopping malls amounting to 1.4 million m^2 is noted in cities of 100,000-200,000 inhabitants, the share of which in the volume of surface of modern shopping centres equals 17.2%. The most mature and varied trade markets are local markets in 8 largest agglomerations. (Fig. 7).

It is principally there that outlet centres and the largest retail parks were created. The share of traditional shopping malls is decreasing in proportion to the surface in other forms the amount of which is increasing every year. Also markets of smaller cities, which until now have been dominated by traditional shopping malls, are subject to format diversification.(Fig. 8).

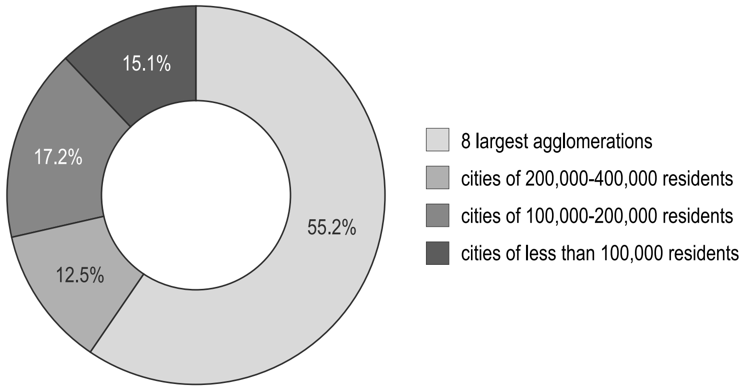

Figure 7. Distribution of traditional shopping malls surface by size of the city

Like in many Western countries, as well as in the Czech Republic and Slovakia, modern trade is expanding beyond urban areas. According to the Colliers International report, suburban areas, small and medium-sized towns currently dispose of about 2.6 million m^2 of sales area, which constitutes 34% of total supply in Poland. Factors favouring the group of the largest cities include, above all, high estimated purchasing power per resident, considerably exceeding the national average. The report of GFK Polonia[27] shows that an average European citizen disposes of purchasing power amounting to 11,699 euro – that is the amount of money spent by this person on goods and service within one year. An average purchasing power of a Polish resident amounts to 4,650 euro (40% of the European average). The value of 50% of the European average is exceeded only by inhabitants of 15 out of 379 poviats [mid-level

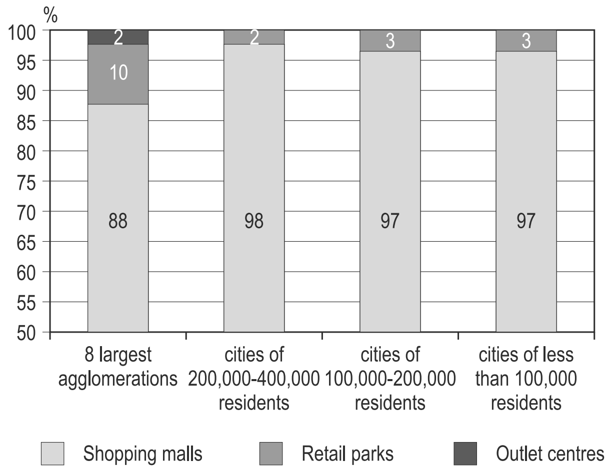

Figure 8. Diversity of shopping mall formats

[27] *Siła nabywcza Polaków 2010* – a Report.

administrative division unit]. As far as this aspect is concerned, the group of cities which are in the forefront includes: Warsaw, Cracow, Wrocław, Poznań, Szczecin and Tricity. Important factors due to which investments in new shopping facilities are still taking place in large cities include a low unemployment level of 3 to 6% and a relatively high average salary. In large cities, there is at least a dozen of commercial and service centres with a surface of over 50,000 m^2. They constitute an indicator of urban trade, generating an inflow of a couple or a dozen thousand customers, not only form the city but also form the entire region, a day [Jałowiecki 2010, p. 34].

The pace of development of large area stores observed in recent years in Poland can last for a couple of years. Real estate investors consider the Polish society to be more and more wealthy and, as a result, larger and larger part of household budgets will be allocated to consumption and entertainment.

Future locations of large sales areas will include to a larger and larger extent city suburbs as well as their suburban zone, and even rural areas in which investments were never made before (green field investments). The process will be accelerated by the improvement of transport infrastructure in the urban area (motorways and highways). Barriers limiting the expansion of large-area trade to the suburban rural areas and towns, far from large cities, include not only lower population levels, but also smaller purchasing power of the population outside agglomerations. Foreign investors are perfectly aware of this fact and try to make profit from locations with the highest population density.

4 Shopping malls development prospects in Poland

The pace of development of large-area trade observed in recent years in Poland can last for a couple of years. Real estate investors consider the Polish society to be more and more wealthy and, as a result, larger and larger part of household budgets will be allocated to consumption and entertainment[28]. Like in the case of countries from the Western Europe, after the initial expansion of super- and hypermarkets in large cities and afterwards in medium-sized towns, it is possible to observe an offensive of commercial facilities in towns and new suburban housing estates (where lower population levels are compensated by a high purchasing power of wealthy residents of suburbs [Kaczmarek, p. 69]. In large cities and agglomerations megamalls, retail parks and factory outlet centres are located, in which giant manufactured-owned shops offer branded goods (*e.g.* clothes, sporting goods) in bulk quantities, directly from production lines.

[28] Eric Kuhne, one of the most renowned American architects specialising in shopping mall designs (*e.g.* Bluewater Shopping Center in Kent), stated during one of his lectures that "a contemporary shopping mall is no longer a market with goods, but a place in which we have access to every kind of ideas for spending free time". As it was noted by Naissbit [1997], shopping malls in western countries are the third place in terms of the time of human stay – just behind home and work.

As in the case of every business activity, after the expansion period and after the market becomes saturated, fierce competition will take place. It is related with takeovers of chains and changes in terms of owners of commercial facilities (*e.g.* purchase of Real chain by Auchan operator).

Future locations of shopping malls will to a larger and larger extent include city suburbs as well as their suburban zones, and even rural areas in which investments were never made before. The main reason for the search for new markets is an increasing competition of global companies, legal restrictions and changing economic and market factors.

As far as the location of shopping malls is concerned, Poland is an attractive place with a 40 million potential of buyers, a stable economic system and a prospect of an increasing purchasing power, although a high degree of fragmentation of trade can be observed. According to the data of CSI, in 2012 there were 370,000 shops in Poland, and only about 9,000 of them were facilities the surface of which exceeded 400 m^2. According to the research firm AC Nielsen, in Poland there are over 150,000 stores selling the so-called fast moving consumer goods: food, alcohol, cigarettes, detergents, cosmetics and small household goods. This compares with 53,000 of such stores in Germany (the same number operates in Spain), 38,000 in France and 82,000 in Great Britain. The share of hypermarkets in the market in Poland amounts only to 15%, of supermarkets (including discount stores) – 32%, and of small shops (with surface of over 400 sq. m.) – 53%. In Western Europe countries (as well as in Czech Republic and Hungary) the proportions are reversed: the share of small shops in the market does not exceed 26%. In France, hypermarkets have a share of 55% in the market, supermarkets – 41%, while small shops represent only 4%. In Germany, 28% are hypermarkets, 68% – supermarkets and 4% – small shops. It translates into a much higher concentration of the market. Therefore, in the future, the Polish market will undergo a process of spatial concentration based to a large extent on the formula of a mall.

One of important factors determining the development of shopping malls in Poland is the income of consumers. According to GfK's[29] research, the value of the purchasing power per inhabitant of one of 42 European countries is 12,774 euro. An average resident of Europe spends 12,8 thousand euro a year. The amount after tax is first used to cover dwelling costs and buy food, and afterwards can be allocated to shopping and other purposes, such as savings.

Disparities in the level of wealth of Europeans are enormous. The best example for that is the fact that an average inhabitant of the most wealthy Polish city – Warsaw – disposes of the purchasing power amounting to 10,266 euro a year, which is an amount 20% lower than the European average calculated for almost all countries of the continent and not only for the countries of its wealthiest, Western part. The analysis of the wealthiest societies, very high ranking positions are occupied by Norway and Switzerland. The level of wealth of residents living in these countries is twice

[29] GfK – an all-Poland market surveying company.

as high as the European average. With only 2% of the population of the 42 analysed countries, Switzerland, Norway and Luxembourg accumulate nearly 5% of wealth. The absolute leader of the ranking is Lichtenstein, the wealth of an average resident of which is four times higher than the average.

Positions of 12 countries of the "EU 15" in the ranking of wealth are predictable, although what is certainly interesting is the spread of the level of wealth, as the difference between Denmark, which is first in this category, and Italy and the Netherlands, which occupy the last position, is 30%. 50% of residents of the twelve analysed countries represent 71% of the European purchasing power.

Polish residents, with average wealth constituting 47.4% of the European average, were classified within the group of 9 countries representing a little bit more than 23% of the European population which accumulates only 10% of the wealth of the continent. It is not the poorest group, as there are also 9 countries in which the average wealth of citizens is lower than 25% of the European average (Tab. 7).

Market conditions in Poland still constitute an incentive for shopping mall investors. Despite a decrease in the shopping mall surface growth in 2010, forecasts for the upcoming years are promising. According to a report elaborated by Cushman & Wakefield, in 2011 in Europe 6.9 million m^2 of sales area were created, of which 594,000 m^2 are located in Poland. It places our country on the 6th position in the continent[30] (Fig. 9).

The dynamic development is observed mainly in the case of new generation shopping malls, which compete in large cities with facilities of precedent generations [Domański 2005, p. 262].

It is estimated that shopping malls will constitute about 75% of commissioned modern sales area, although a tendency of such facilities to expand beyond agglomerations is predicted, as well as the fact that they will be located in smaller cities of about 100-200 thousand inhabitants, in which the largest growth is expected (shopping malls under construction are located in cities such as Gorzów Wielkopolski, Kalisz, Leszno or Słupsk[31]). Other conclusions can be drawn on the basis of the European Retail Property 2011 report. Its authors predict that the highest growth in retail sales will take place in the countries of Central and Eastern Europe. In the developed countries of the so-called old Europe, the growth is supposed to be considerably lower. Forecasts relating to Poland predict that the trend will stabilise on a high level. The ranking of prospective locations of shopping malls include many regions of our country which occupy head positions on the list (Tab. 8).

Among places of the biggest shopping mall development potential until 2020, the following voivodeships [voivodeship – high-level administrative division unit, a province] are included: Masovian Voivodeship (forecasted increase in surface of >80%), Małopolskie, Lubuskie, Świętokrzyskie, Wielkopolskie and Pomorskie Voivodeships (increase of >70% of surface), as well as Podlaskie, Podkarpackie, Lower Silesian,

[30] www.industrial.pl.
[31] www.retailnet.pl.

Table 7

The purchasing power of some European countries

Purchasing power per resident in comparison with the European average	Number of countries	Number of residents	Value of the purchasing power in % for 42 countries in total	Examples of countries
220%-260%	3	2.0%	4.8%	Switzerland Luxembourg Norway
125%-175%	12	49.0%	70.8%	Austria Denmark Italy
100%-124%	3	8.8%	9.2%	Cyprus Greece Spain
50%-99%	5	4.3%	3.0%	Czech Republic Portugal Slovenia
25%-49%	9	23.2%	10.1%	Croatia Poland Turkey
<25%	9	12.6%	2.1%	Belarus Bulgaria Ukraine

Source: Own work based on RRF 2012.

Kujawsko-Pomorskie, Łódzkie and Lubelskie Voivodeships (increase of >60% of surface). Regions in which the development of modern trade is forecasted include also: Warmińsko-Mazurskie, Silesian, Zachodniopomorskie and Opolskie Voivodeships (increase of >50% of surface).

Analysis of the data makes it possible to think that the retail sales sector will undergo a dynamic development. An important role will probably be played by new generation shopping malls which keep appearing in Polish cities and often constitute large-scale investments. However, the presented prognosis will have to be confronted with the economic reality, as well as with the policy of local authorities. In the most countries of the European Union local governments will probably have to deal with the problem related to the disequilibrium in terms of the development of trade [Kłosiewicz-Górecka, Słomińska 2001, p. 49].

The saturation with modern commercial facilities, in particular shopping malls, approaches a critical point in many Polish cities. It will without a doubt be the fact of having sales area comparable with Western European cities (2 m^2 per inhabitant). The

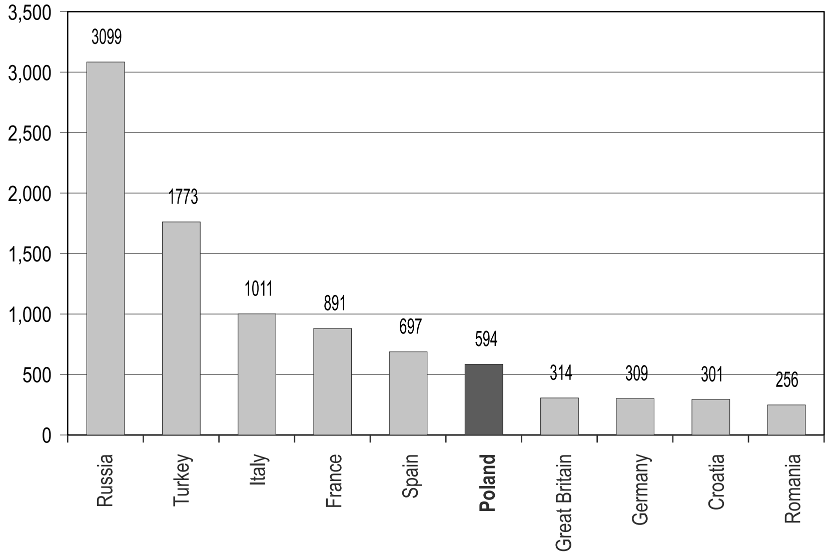

Figure 9. Shopping malls in preparation in Europe in the years 2012-2013 (in thousand m^2)

Source: Own work based on www.industrial.pl.

development of shopping centres takes place in an irrepressible way. New objects are established in large, medium-sized and small cities, and even in rural areas within the outer metropolitan zone. Investors are still looking for new locations, new form of centre (further generations), additional functions, which will become a source of a competitive advantage. In large cities, the model of consumption changes at the fastest pace. It is indicated mainly by the increase in wages, increase in expenditure on consumption of goods and services, increase in expectations referring to the commercial offer, atmosphere and architectural form of commercial facilities, which are considered to be not only shopping places, but also places to spend one's leisure time. Therefore, it is possible to predict higher expectations towards shopping mall investors who will make them attractive and competitive in commercial terms, also at the European level. At the same time, in the face of deepening social stratification, progressive aging of the population and various preferences of buyers, traditional forms of trade, district and downtown, should be preserved, as well as fairs, bazaars and marketplaces which meet diverse needs of consumers. The biggest challenge for the development of retail chain of Polish cities in the upcoming years will be to maintain a balance between modern and traditional trade. The problem of coexistence of traditional and modern trade relates also to the Silesian Voivodeship.

Table 8

Regions of the EU in which the highest growth in retail sales is forecasted

Region	Key town	NUTS2	Country	Forecast retail sales growth 2010-2020 (%)
Mazowieckie	Warsaw	PL12	Poland	>80
Yugoiztochen	Burgas	BG34	Bulgaria	>80
Małopolskie	Krakow	PL21	Poland	>70
Malta	Valetta	MTO00	Malta	>70
Lubuskie	Gorzów Wielkopolski	PL43	Poland	>70
Świętokrzyskie	Kielce	PL33	Poland	>70
Wielkopolskie	Poznan	PL41	Poland	>70
Stredni Cechy	Kladno	CZ02	Czech Republic	>70
Pomorskie	Gdansk	PL63	Poland	>70
Yugozapaden	Sofia	BG41	Bulgaria	>60
Sud-Muntena	Pitesti	RO31	Romania	>60
Vest	Timisoara	RO42	Romania	>60
Bucuresti-Ilfov	Bucharest	RO32	Romania	>60
Podlaskie	Bialystok	PL34	Poland	>60
Podkarpackie	Rzeszow	PL32	Poland	>60
Dolnośląskie	Wrocław	PL51	Poland	>60
Kujawsko-Pomorskie	Bydgoszcz	PL61	Poland	>60
Łódzkie	Lodz	PL11	Poland	>60
Lubelskie	Lublin	PL31	Poland	>60
Praha	Prague	CZ01	Czech Republic	>60
Warmińsko-Mazurskie	Olsztyn	PL62	Poland	>50
Nord-Est	Iasi	RO21	Romania	>50
Śląskie	Katowice	PL22	Poland	>50
Kozep-Dunantul	Szekesfehervar	HU21	Hungary	>50
Zachodniopomorskie	Szczecin	PL42	Poland	>50
Nord-Vest	Cluj-Napoca	RO11	Romania	>50
Stredne Slovensko	Zilina	SK03	Slovakia	>50
Opolskie	Opole	PL52	Poland	>50
Kozep-Magyarorszag	Budapest	HU10	Hungary	>50
Nyugat-Dunantul	Gyor	HU22	Hungary	>50
Zahodna Slvenja	Ljublijana	SI02	Slovenia	>50
Centru	Brasov	RO12	Romania	>50
Sud-Est	Braila	RO22	Romania	>50
Jihozapad	Pilsen	CZ03	Czech Republic	>50
Jihovychod	Brno	CZ06	Czech Republic	>50
Bratislavsky kraj	Bratislava	SK01	Slovakia	>50

Source: [*European Retail Property* 2011, p. 15].