The clichés about fashion retail – a report by BNP Paribas Real Estate Poland

The Polish fashion retail sector has extensive growth potential that comes first and foremost from the rapidly rising numbers of middle- and upper-income consumers, which in turn is a consequence of good economic conditions and strong job market in the main cities. The purchasing power of the Polish population has grown since 2005 by 20% and is currently at a level of 6,170 euro. The report entitled “The unknown face. Breaking clichés about fashion retail.” by BNP Paribas Real Estate Poland experts draws attention to the fact that from year to year customers in Poland are expecting to see more diversity in the fashion offer both in shopping centres and on high streets.

“The analysis carried out shows that the shared commonplace opinion on the condition and growth opportunities in the fashion retail sector that would point toward its saturation and lack of further expansion opportunities is not entirely correct. The facts presented are clearly demonstrating that Poland has a great potential in terms of expansion into Poland of new brands as well as further growth of the networks of shops belonging to tenants already operating on the market.” – comments Anna Staniszewska, Head of Research and Consultancy CEE, BNP Paribas Real Estate Poland.

It is not too early for luxury and premium brands
Since 2010, some 70 brands from the premium sector have entered Poland, including Louis Vuitton, Hugo Boss, Burberry, Ermenegildo Zegna, Chanel and Hermes. They operate as independent outlets as well as multibrand boutiques. The potential for this particular segment is confirmed by nearly 50,000 Poles that declare having liquid assets of between 1 and 8 million euro. What is interesting, eight out of ten of them live in the Warsaw agglomeration. As highlighted by the authors of the report, tourism and business tourism are playing an ever increasing role in the growth of the premium brand segment. As compared to Hungary and the Czech Republic, where the number of tourists in 2014 reached 9.5 million and 8 million respectively, tourist traffic in Poland was estimated at a level of nearly 16 million, 35% of which were foreign visitors.

High streets are another retail format
BNP Paribas Real Estate Poland experts point out that high streets are the next stage in the growth of the Polish retail market. EU funds provide effective support for development and regeneration of public spaces. Increasing social awareness related to the need to strategically approach the issue of creation and management of public spaces, which include high streets, also constitutes a significant element of
the process. In addition to traditional spaces functioning on high streets, we are now witnessing the emergence of new, conceptual retail formats such as the Ethos complex at Three Crosses Square (Plac Trzech Krzyży) in Warsaw, Vitkac department store and Likus Concept Stores.

“It is important not to look at the growth of high streets through the prism of competition with traditional shopping centres. Spaces that are prestigious, excellently located, well managed and, what is of key importance, perceived as attractive by residents, tourists, and culture and art institutions, can complement perfectly the prosperous and thriving shopping centres.” – emphasizes Fabrice Paumelle, Head of Retail, BNP Paribas Real Estate Poland.

There is a market for domestic brands
A tenant-mix analysis in respect of domestic shopping centres shows that the shared commonplace opinion to the effect that it is mainly the foreign fashion brands that become successful in Poland is not correct. Following Poland’s succession to the EU, the domestic textile industry has undergone a number of changes for the better, thus becoming one of the most prosperous sectors of the country’s economy. In addition to numerous small and medium clothes manufacturing enterprises, there are 21 companies from within the clothing and footwear sector listed on the Warsaw Stock Exchange. LPP, the largest market player that owns 5 brands: Reserved, Cropp, House, Mohito and Sinsay, noted a consolidated income from sales of 4 796 million złotych. Additionally, men’s fashion is now ever more strongly represented. Brands such as Bytom, Wólczanka, Vistula, Lavard and Próchnik are investing in the quality and marketing of their products: their collections, look books and photo shoots are executed to the highest European standards, and investments are made in respect of the interior design and functionality of their stores.

“As a result of having the right design for their collections and the most advantageous sales networks, Polish fashion brands constitute a counterweight to their foreign competitors. This is why consumers are being presented with an increasingly more diverse offer and owners of retail facilities have the security of stable income from leases, while in the case of the largest players, such as LPP, there is the added benefit of being able to win a strong “anchor”, i.e. a key tenant that will attract large numbers of clients.” – adds Anna Staniszewska.

Not only the capital city
Poland’s historical determinants led to its capital city and the entire Warsaw agglomeration being without doubt the wealthiest and at the same time the fastest-growing market in the country. Nevertheless, this does not mean that Poland’s regional cities are deprived of general fashion or luxury brands. The leading position amongst regional cities and markets is held by Kraków, Poznań, Wrocław and the Tricity. The authors of the report highlight the great role played by tourism and cultural qualities of the regional cities, in particular Kraków, Wrocław and the Tricity. Similarly to Warsaw, supply of retail space in the regions is varied.

“Above all, luxury brands put their money on central and prestigious locations. Space in the best
shopping centres is always in demand. However, those brands are now attracted with an ever increasing force by the concepts offered by luxury boutique department stores, unique in terms of their architecture and location, such as Ethos at Three Crosses Square in Warsaw, Likus Concept Store in Kraków and Wrocław and Bazar Poznański in Poznań.” – adds Fabrice Paumelle.

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