

MARKETBEAT

# CENTRAL EUROPE

Retail Q3 2020



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Czech Republic

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Hungary

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## CZECH REPUBLIC

Retail Q3 2020

€40,902

Average HH Income 2020

YoY  
Chg.12-Mo.  
Forecast

€210.00

Prime Rent, Sq m/month



4.50%

Prime Yield



Prime rent and yield for High Street units

ECONOMIC INDICATORS  
Q3 2020

-6.7%

GDP\*

YoY  
Chg.12-Mo.  
Forecast

3.8%

Unemployment Rate



-4.6%

Private Consumption\*



-0.3%

Retail Sales Volume Index\*



\*Annual growth forecasts

Source: Oxford Economics, Czech Ministry of Labour and Social Affairs

## ECONOMY: Recent positive economic trends suspended by the second wave of pandemic

The Czech economy has been recovering since Q2 after the first wave restrictions. The first results show that the GDP grew by 5.2% q/q in Q3. The labour market has remained resilient, with the unemployment rate staying at 3.8% in September, surprising on the upside. Retail sales were reaching pre-pandemic levels in July and August. Unfortunately, the positive trend could not last long with a falling consumer confidence, worsening labour market outlook and a resurgence of new infections, which will mean households will keep more precautionary savings as well as denting income. The GDP growth forecast for 2020 was cut to a fall of 6.3% due to the ongoing second wave of the pandemic, followed by a humble growth of 5.7% in 2021.

## SUPPLY &amp; DEMAND: Regional shopping centres were recovering fast in Q3

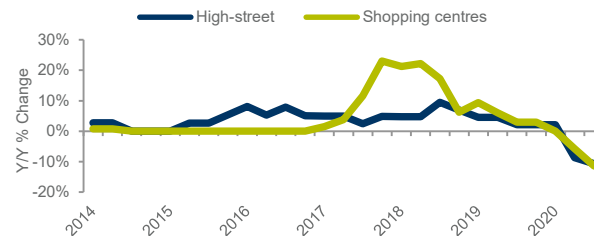
Sales in shopping centres, especially those in regions, were at comparable levels in Q3 as in the last year, although the footfall was perceptibly lower. This indicates current change in shopping behaviour: shop visits become more specific and purpose-driven, shopping is used less as a way of spending free time and is carried on by individuals, rather than whole families. Meanwhile, online retail continues to take even higher share in spending. While regional shopping centres are expected to recover fast after the crisis, Prague schemes and high street will struggle with the lack of tourists, office employees and people in traffic hubs and their way back to sales growth will be slower.

Three new retail parks were opened in the last quarter, the largest of which being RP Unhošť west of Prague. Other projects expected to be completed in Q3 were delayed, including the mixed-use project Bořislavka Centre in Prague 6 with a smaller retail component and The Flow Building at Wenceslas Square, which will open soon including the very first Primark store in the Czech Republic.

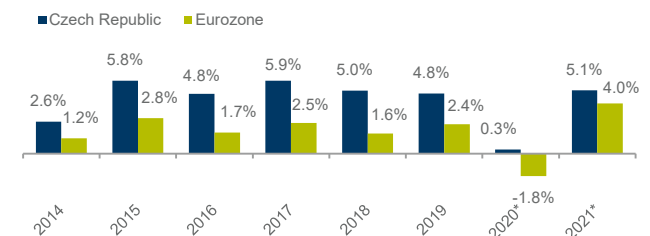
## PRICING: Landlords and tenants trying to mitigate impacts of Covid-19

Mainly Prague shopping centres and high street face a further drop in sales and footfall, which causes increase in vacancies. This can lead to a short to mid-term decline of rental levels. Landlords try to prevent losing tenants and offer more flexible conditions with temporary rent reductions or step rents. Particular effects of the Covid-19 crisis on rental rates will be more clear after the second wave, when there is more market evidence.

## PRIME RENT



## RETAIL SALES Y/Y GROWTH





## MARKET STATISTICS

SUBMARKET	SHOPPING CENTRE STOCK (SQ M)*	SHOPPING CENTRE PIPELINE (SQ M)	POPULATION	DENSITY (STOCK PER 1,000 INH.)	PRIME RENT (€/SQ M/MONTH)	PRIME YIELD
Prague	871,400	57,300	1,324,277	658	155.00	5.00%
Moravia-Silesia	322,600		1,200,539	269	50.00	7.50%
South Moravia	259,700	48,000	1,191,989	218	65.00	5.75%
Ústí nad Labem	183,300		820,965	223		
Liberec	165,400		443,690	373		
Olomouc	151,600	23,300	632,015	240		
Pilsen	120,200		589,899	204		
Central Bohemia	113,100		1,385,141	82		
Hradec Králové	101,000		551,647	183		
South Bohemia	91,100		644,083	141		
Zlín	77,000	30,100	582,555	132		
Karlovy Vary	60,000		294,664	203		
Pardubice	45,800	1,700	522,662	88		
Vysočina	27,800		509,813	54		
<b>CZECH REPUBLIC TOTAL</b>	<b>2,590,000</b>	<b>160,300</b>	<b>10,693,939</b>	<b>242</b>		
Prague High street					210.00**	4.50%
Brno High street					70.00	6.25%
Prague Retail parks					10.75	6.00%
Brno Retail parks					9.25	6.50%

\*SC stock including traditional centres and mixed-use schemes over 5,000 sq m retail GLA.

\*\*Further rental decline is expected in Q4 and later in 2021; not much market evidence as of Q3.

## KEY CONSTRUCTION COMPLETIONS YTD 2020

PROPERTY	SUBMARKET	ANCHOR TENANTS	SQ M	OWNER / DEVELOPER
RP Okružní	České Budějovice	Lidl, Mountfield, dm drogerie, Pepco	8,000	KPD Group
OC Opatovská	Prague	Lidl, dm drogerie, Pepco, Kik, Pet center	6,200	TTP Invest
RP Unhošť	Unhošť	Lidl, TETA drogerie, Super Zoo, Pepco	4,900	KPD Group

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## A CUSHMAN &amp; WAKEFIELD RESEARCH PUBLICATION

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# HUNGARY

Retail Q3 2020



	YoY Chg	12-Mo. Forecast
<b>€37,105</b> Average HH Income 2020	▲	▼
<b>€120.00</b> Prime HS Rent, Sq m/month	▼	▲
<b>5.00%</b> Prime HS Yield	▲	▲

Prime rent and yield for High Street units as at 30 September 2020  
Source: Cushman & Wakefield, Oxford Economics

## ECONOMIC INDICATORS Q3 2020

	YoY Chg	12-Mo. Forecast
<b>-6.4%</b> GDP Real, LCU *	▼	▲
<b>4.0%</b> Unemployment Rate *	▲	▼
<b>2.3%</b> Consumer Spending *	▼	▲
<b>-0.4%</b> Retail Sales Volume Index *	▼	▲

\* Annual growth forecast  
Source: Oxford Economics as at 23 October 2020

## ECONOMY: GDP is now forecast to fall 6.4% this year before growing 5.1% in 2021

It is now clear that Hungary, like the rest of Europe, is facing a resurgence of the coronavirus as we head into winter. While Hungary entered the crisis from a position of relatively solid macro fundamentals, more recent indicators suggest sentiment have begun to stall when COVID-19 cases started recurring. The Hungarian economy contracted by 13.6% in Q2 according to CSO, which reflects the impact of the April lockdown. Yet, Hungary is expected to significantly benefit from the recently-agreed next generation EU recovery fund providing a stimulus to the economy equal to some 6.7% of GDP in the period of 2021-2025. Recovery is therefore expected to start in 2021 and Oxford Economics forecast GDP to grow by 5.1% in 2021 and by 5.0% in 2022.

Retail sales were reaching pre-pandemic levels in the summer and according to CSO, the total retail sales in Q1-Q3 showed a growth of 0.5% y-o-y. Online sales have seen a significant increase as by the end of September the share of online reached 8.4% which represents a strong growth rate of 40% on 2019 level. Oxford Economics forecasts however, private consumption will fall by 2.8% this year due to crisis-related declines in spending, before rebounding to grow 5.3% in 2021.

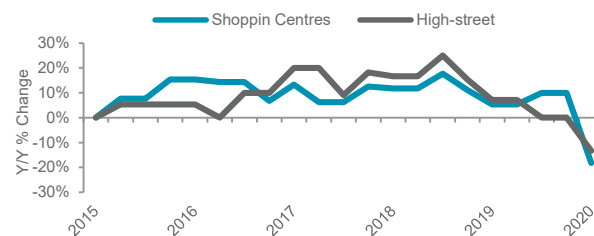
## SUPPLY AND DEMAND: Lease transactions are present but with slower pace and greater caution

After a brief recovery period during the second half of the summer, shopping centres are experiencing some decrease in footfall since September. Expansions of retailers are still ongoing but with careful approach only to prime target locations. The retail warehouse sector was less effected by the COVID – 19 pandemic and some profiles such as furniture and sports have even experienced an increasing turnover compared to the last quarter in the previous year. Outlets and Discounters with fashion and cosmetics profiles are also less effected, whilst profiles such as Food & Beverage and Leisure on the other hand were strongly hit.

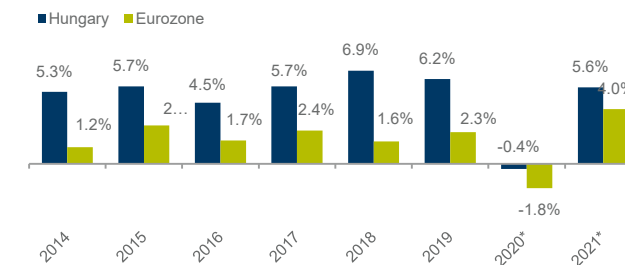
## PRICING: Prime high street and shopping centre rents are affected

Prime Budapest high street locations, which are much dependent on tourism have recorded a decline of 20 % y-o-y in prime rents due to the massive decline of international tourist arrivals seen this year. Retailers have reported decrease in turnover close to 70-80 % in the past months and any recovery is expected to be slower.

### PRIME RENT



### RETAIL SALES Y/Y GROWTH





## MARKET STATISTICS

SUBMARKET	SHOPPING CENTRE STOCK	SHOPPING CENTRE PIPELINE	PRIME RENT (Euro/month/sq m)	PRIME YIELD
Budapest	767 467	54 000	90	5.85%
Central Transdanubia	24 128	0		
Northern Hungary	184 105	0		
South Transdanubia	146 274	0		
West Transdanubia	123 898	0		
<b>HUNGARY TOTAL</b>	<b>1 245 872</b>	<b>54 000</b>	<b>90</b>	<b>5.85%</b>
Budapest High Street			120	5.00%
Budapest Retail Parks			11,50	7.50%

## KEY SALES TRANSACTIONS YTD 2020

PROPERTY	TYPE	SELLER / BUYER	SQ M
Target Center	Shopping center	Private / Erste Fund	23 500
Jysk Kiskunhalas	Retail Park	Private / Erste Fund	1 000
Burger King Székesfehérvár	Retail - Other	n/a	2 000
Pécs Plaza	Hypermarket	n/a	15 000

## KEY CONSTRUCTION COMPLETIONS 2019 / 2020

PROPERTY	SUBMARKET	COMPLETION DATE	SIZE
Galéria Center	Mosonmagyaróvár	November 2019	4 500

Source: Cushman & Wakefield Research

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	YoY Chg	12-Mo. Forecast
<b>€46,026</b> Av. HH Pers. Disp. Income	▲	▲
<b>282</b> SC Density; sqm/1,000 inh.	■	■
<b>5.15%</b> Prime Yield	▲	■

Source: Oxford Economics, PPP, current prices; Cushman & Wakefield

### ECONOMIC INDICATORS Q3 2020

	YoY Chg	12-Mo. Forecast
<b>-3.0%</b> GDP	▼	▲
<b>5.9%</b> Unemployment Rate	▲	▼
<b>-1.71%</b> Consumer Spending	▼	▲
<b>0.62%</b> Retail Sales	▼	▲

Source: Oxford Economics, annual growth; Main Statistical Office

### SUPPLY: Focus is on small retail parks and convenience centres

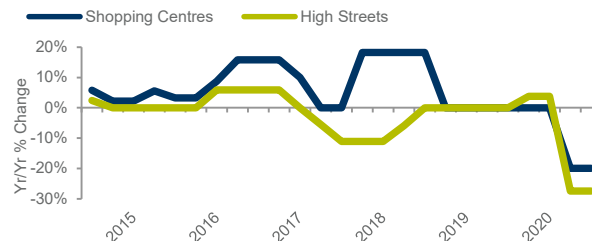
In Q3 2020, Poland's retail stock expanded by 34,000 sqm across all retail formats. New supply included three new openings: Vendo Park in Częstochowa (8,200 sqm), Atut Express in Wieliczka (5,000 sqm) and Castorama in Nowy Sącz (10,200 sqm). Additionally, extensions were completed on two schemes: the Retail Park in Babice Nowe (6,500 sqm added) and Galeria Portius in Krosno (4,000 sqm added). Small retail parks and convenience centres are growing across Poland at a rapid pace and the recent pandemic months have brought out the advantages of such schemes more than ever before. As retail continues to evolve and large-format food retailers continue to face challenges, shopping centres anchored by hypermarkets have been experiencing major changes for more than a year. In Q3 2020, Tesco closed two of its stores (in Łódź and Mielec) while Auchan closed four (in Dąbrowa Górnicza, Grudziądz, Lubin, and Mysłowice).

### DEMAND: Lease renegotiations and optimisation of retail chains amid an uptick in the vacancy

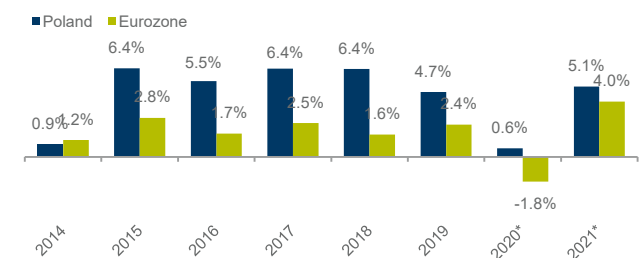
Many tenants renegotiated the conditions of their leases before the autumn increase in infections, demanding rent discounts of 20% on average. Tenants are also exhibiting a lot of caution with regard to making long-term commitments, opting instead for short-term leases for pop-up stores. As retail remains hit hard by the pandemic, many tenants are pruning unprofitable stores to optimise their retail chains. Although the vacancy rate edged up marginally in the largest conurbations by the end of August 2020, the overall picture in the current pandemic situation is far from positive. At the end of August 2020, the shopping centre vacancy rate for Poland's eight largest markets averaged 4.8%, which represented a 0.7 pp increase on H2 2019.

According to PRCH, footfall in shopping centres was rising steadily after the spring lockdown, reaching a record 90% of last year's level in the last week of August. The overall picture in September was very positive, but due to rising infections throughout Poland, the shopping centre footfall began to fall in early October and stood at 74-78% in the weeks of 5-11 October and 12-18 October. Research shows that customers appear to favour visiting small and mid-sized retail schemes while large shopping centres are seeing a trend towards quick and pre-planned shopping and reduced in-store dwell times. Retail sales were down in August 2020 by 10.3% year-on-year in large shopping centres (sized 40,000-plus sqm) and by 7.3% in smaller retail schemes (below 40,000 sqm). In August 2020, the steepest year-on-year falls in turnover were reported in services (-69.7%) and entertainment (-69.0%). Food & Beverage tenants suffered an 18% loss of turnover.

### PRIME RENT



### RETAIL SALES Y/Y GROWTH





## MARKET STATISTICS

SUBMARKET	SHOPPING CENTRE STOCK (SQM)	SHOPPING CENTRE PIPELINE (UNDER CONSTRUCTION; SQM)	SC DENSITY (SQM/1,000 INH.)	PRIME YIELD
Warsaw City Centre	1,435,347	0	559	5.00%
Warsaw Out of Town				5.40%
Katowice	1,157,993	0	521	5.50%
Poznań	702,754	0	856	5.70%
Wrocław	692,006	10,000	865	5.60%
Gdańsk	678,193	0	656	5.70%
Kraków	565,894	16,000	547	5.50%
Łódź	516,955	0	552	5.60%
Szczecin	263,286	0	473	6.20%

## MAJOR SCHEMES UNDER CONSTRUCTION AND SCHEDULED FOR OPENING IN 2020-2021

SCHEME / CITY	FORMAT	DEVELOPER	GLA (SQM)	OPENING DATE
Fabryka Norblina / Warszawa	Mixed-use	Capital Park	26,000	2021
Karuzela Kolobrzeg / Kolobrzeg	Shopping centre	Karuzela Holding	25,000	2021
Galeria Bawełnianka / Bełchatów	Shopping centre	GBB Invest	23,000	2021
Galeria Wiślanka / Żory	Shopping centre	BLYSK Investment Group	20,000	2020/2021
Galeria Andrychów / Andrychów	Shopping centre	Grupa Acteum	20,000	2021
Dekada / Nysa	Shopping centre	Dekada Realty	19,000	2020/2021
Karuzela Elk / Elk	Retail park	Karuzela Holding	16,000	2020/2021
Galeria Wieliczka / Wieliczka	Shopping centre	Soray Park	16,000	2021

Source: Cushman & Wakefield

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# ROMANIA

Retail Q3 2020

	YoY Change	12-Mo. Forecast
<b>€18,700</b> Av. HH Disposable Income	▲	▲
<b>€80.00</b> Prime Rent, sq. m/month	▼	▬
<b>7.00%</b> Prime Yield	▲	▬

## ROMANIA ECONOMIC INDICATORS Q3 2020

	YoY Change	12-Mo. Forecast
<b>-5.5%</b> GDP (est.)	▼	▲
<b>4.2%</b> Unemployment Rate	▲	▼
<b>-7.8%</b> Consumer Spending	▼	▲
<b>1.3%</b> Retail Sales	▼	▲

Source: Oxford Economics, National Institute of Statistics

## SUPPLY: Pipeline remains consistent despite the pandemic

Only one delivery has been recorded in Q3, namely Dambovită Mall (31,200 sq. m) developed by Prime Kapital, the first modern retail project in Targoviste. Another major delivery is expected in Q4, when AFI Palace Brasov (45,000 sq. m) is scheduled to be completed. Cinemas and indoor F&B units have mostly been reopened in Q3, thus making shopping centers fully functional, but a new wave of restrictions is expected in Q4 as a result of the increasing number of Covid-19 cases in Romania.

Presently, new schemes or extensions to existing projects totaling around 170,000 sq. m are under construction and expected to be delivered in the following two years, while a few other significant projects find themselves under various planning stages, being difficult to assume that all of them will be delivered as planned due to the uncertain climate caused by the Covid-19 pandemic. In terms of developers, Prime Kapital (in joint-venture with MAS Real Estate) and Mitiska have the most consistent pipeline, further increasing their presence in Romania.

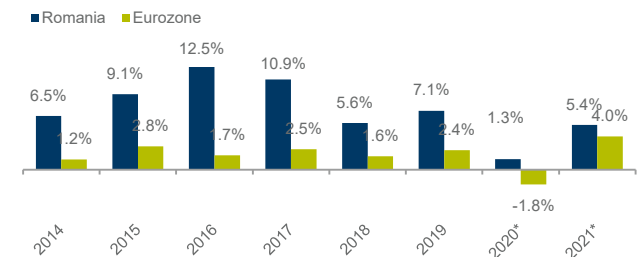
## DEMAND: Increasing pressure on prime rents after the lockdown period

The owners of the dominant shopping centers in Romania were experiencing a flourishing period before the emergence of the Covid-19 pandemic, with occupancy rates close to 100%, as most tenants reported double-digit growth rates. However, the suspension of activity during the state of emergency has a strong impact on a number of tenants which resulted in renegotiations which slightly decreased the headline rents in several locations with more consistent incentive packages becoming the norm. As such, headline rents achieved for 100 sq. m units in prime dominant shopping centers in Bucharest ranged between € 80 – 85 / sq. m/ month at the end of Q3 2020. In secondary cities such as Cluj-Napoca, Timisoara, Iasi or Constanta, headline rents in dominant shopping centers ranged between € 40 – 50 / sq. m/ month, while in tertiary cities the level falls between € 30 – 35/ sq. m/ month.

## PRIME RENT



## RETAIL SALES Y/Y GROWTH





## MARKET STATISTICS

SUBMARKET	SHOPPING CENTRE STOCK (SQ M)	SHOPPING CENTRE PIPELINE UC (SQ M)	POPULATION*	DENSITY (SQ M / 1,000 INHABITANTS)	PRIME RENT (€/MONTH)	PRIME YIELD (%)
Bucharest	703,400	16,500	1,883,425	373	€80	7.00%
Cluj-Napoca	125,500	-	324,576	387	€50	7.75%
Timisoara	173,000	-	319,279	542	€45	7.75%
Iasi	82,000	-	290,422	282	€45	7.75%
Constanta	122,000	-	283,872	430	€45	7.75%
Brasov	91,700	45,000	253,200	362	€40	7.75%
OTHER CITIES	966,200	-			€35	8.00%
<b>TOTAL</b>	<b>2,263,800</b>	<b>51,500</b>	<b>20,121,641</b>	<b>113</b>	<b>€80</b>	<b>7.00%</b>

Source: 2011 Census

## NEWCOMERS YTD 2020

PROPERTY	SUBMARKET	TENANT	SIZE (SQ. M)	SECTOR
Baneasa Shopping City	Bucharest	Armani Beauty	~50	Beauty Products
Baneasa Shopping City	Bucharest	Breitling	~50	Jewellery

## KEY CONSTRUCTION COMPLETIONS YTD 2020

PROPERTY	SUBMARKET	MAJOR TENANTS	SIZE (SQ M)	OWNER / DEVELOPER
Shopping City Targu Mures	Targu Mures	Carrefour, Cineplexx, LPP, New Yorker, LC Waikiki	40,000	NEPI Rockcastle
Dambovita Mall	Targoviste	Carrefour, Cinema City, Altex, Pepco, CCC	31,200	Prime Kapital / MAS Real Estate

## MAJOR PROJECTS IN PIPELINE 2020

PROPERTY	SUBMARKET	MAJOR TENANTS	SIZE (SQ M)	OWNER / DEVELOPER
AFI Palace Brasov	Brasov	Carrefour, Zara, Mango, Intersport, Deichmann	45,000	AFI Europe

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# SLOVAKIA

Retail Q3 2020

**€56,335**

Average HH income (PPP)

YoY Chg      12-Mo. Forecast



**€65.00**

Prime Rent, PSM



**6.00%**

Prime Yield



Prime rent and yield for shopping centre units.  
Reporting year for household income is 2019.

## ECONOMIC INDICATORS Q3 2020

	YoY Chg	12-Mo. Forecast
<b>-6.4%</b> Real GDP	▼	▲
<b>7.4%</b> Unemployment Rate (September 2020)	▲	▼
<b>1.2%</b> CPI	▼	▲
<b>2.6%</b> Retail Sales (volume index)	▲	▲

Measurement: Annual growth, unless indicated otherwise.  
Source: Oxford Economics, ÚSVaR  
Note: Figures are estimates except for unemployment rate.

## ECONOMY: Slovakia's Economy in Recovery Phase Although Growing COVID-19 Cases Cause Uncertainty

The third quarter has seen a rise in active cases and test positivity rate for COVID-19. Despite this, most of the main economic indicators showed continuous month-on-month improvements. According to the Statistical Office of the Slovak Republic, the manufacturing and industrial production returned roughly to the levels from previous year in August. Economic sentiment indicator showed three consecutive monthly increases during the third quarter. Price growth continued to slow down, reaching 1.4% in August and totaling 2.2% in the first eight months of 2020. Prices in restaurants and hotels grow at a smaller rate than last year, however, they improve on a monthly basis. Seasonally adjusted confidence indicator in services increased in September. In terms of outlook, Oxford Economics estimates that the positive real GDP growth will return in Q1 2021 and the pre-COVID-19 private consumption levels should return by Q2 2021.

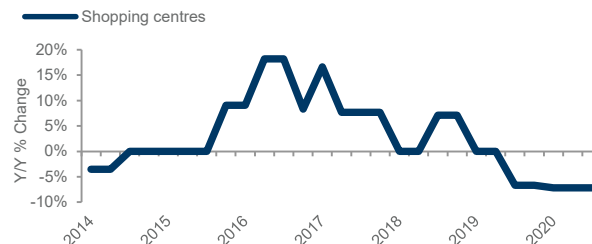
## SUPPLY & DEMAND: Planned Retail Projects Are Restrained by Building Authorities With Limited Capacities

Prime shopping centres in Bratislava saw an overall decline in footfall to about 70-80% of the pre-COVID level by the end of the third quarter. Regional retail schemes were in a better shape since they have a better ability to capture steady local consumption and are not dependent on the presence of employees in adjacent office buildings. On the part of retailers, sporting goods retailers and variety discount retailers triumph, with their popularity being proven by solid financial results even during the COVID-19 crisis. Fashion and F&B saw an average 20-30% drop in sales, and fitness centres, cinemas and play areas are the most affected due to tighter epidemiological measures. In September, Tesco Kamenné Námestie opened a large F&B zone with 14 concepts and the capacity of around 500 people. Novum Prešov has postponed the planned opening, which will take place in three parts; in October and November of this year and in the spring of 2021. Brands such as GAP, Oysho, Paul Bakery, Springfield, Women'secret or Zara Home are announcing their arrival. The expansion is also announced by the Polish grocery chain Żabka, a franchise of Tesco.

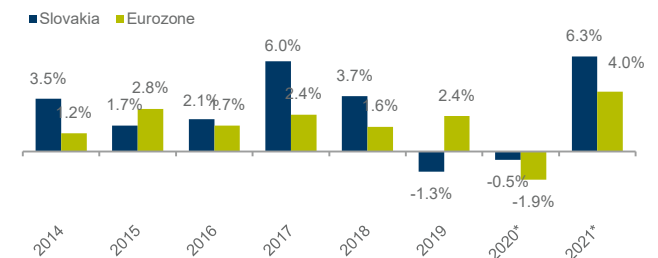
## PRICING: Prime Rent and Prime Yield Hold Steady for Now

Retail segment is the most affected by lockdown measures and decreasing consumer spending, erasing parts of turnover rents and creating pressure on overall rental levels. Due to the potential cashflow disruptions and overall shakeout of the retail market, the prime retail yield moved up to 6% with further upward potential. Turnover and footfall disruptions might require temporary step rents or rent frees partially compensated by state aid.

### PRIME RENT



### RETAIL SALES Y/Y GROWTH





## MARKET STATISTICS

REGION	SHOPPING CENTRE STOCK (SM)	SHOPPING CENTRE PIPELINE (SM)	POPULATION	SATURATION (SC+RP STOCK PER 1,000 INH)	PRIME RENT	PRIME YIELD
Banská Bystrica	89,256	3,400	645,000	223		6.00%
Bratislava	500,361	102,700	670,000	816	€65.00	6.00%
Košice	175,000	14,000	801,000	263		6.00%
Nitra	114,700	35,000	675,000	242		6.00%
Prešov	87,600	46,900	826,000	206		6.25%
Trenčín	76,400	-	585,000	248		6.25%
Trnava	102,300	-	564,000	264		6.00%
Žilina	156,200	36,100	691,000	338		6.25%
<b>SLOVAKIA TOTAL</b>	<b>1,301,973</b>	<b>219,100</b>	<b>5,458,000</b>	<b>322</b>	<b>€65.00</b>	<b>6.00%</b>

## KEY PIPELINE PROJECTS

PROPERTY	MUNICIPALITY	PLANNED RETAIL GLA	EXPECTED OPENING	INVESTOR
Stanica Nivy	Bratislava	70,000	2021	HB Reavis
Novum Prešov	Prešov	30,500	2020	GEMO
Promenada Living Park	Nitra	26,000	2021	ICT ISTROCONTI
Eurovea	Bratislava	25,000	2022	J&T
OC Ruža	Ružomberok	24,000	2021	TetraStav
Eperia Prešov	Prešov	11,000	2021	J&T

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