

# CZECH REPUBLIC

Retail Q2 2022



	YoY Chg.	12-Mo. Forecast
<b>€1,536*</b> Average monthly wage (EUR)	▲	▲
<b>€225.00</b> Prime Rent, Sq m/month	▲	▬
<b>5.00%</b> Prime Yield	▲	▬

Prime rent and yield for High Street units  
\*Data for Q1 2022

## ECONOMIC INDICATORS Q2 2022

	YoY Chg.	12-Mo. Forecast
<b>4.0%</b> GDP*	▼	▼
<b>2.4%</b> Unemployment Rate	▼	▼
<b>16.0%</b> CPI*	▲	▼
<b>5.3%</b> Retail Sales Volume Index*	▼	▼

\*Annual growth estimates  
Source: Moody's Analytics

## ECONOMY: Recovery of the Czech economy continues, with high inflation and growing interest rates

The Czech economy grew in the first quarter, but the drag from last summer persists, and the output level remains below the pre-pandemic peak. Czechia's economy is tied to the auto sector, which is currently experiencing a slowdown in production owing to the global supply crunch and issues in logistics worldwide. Despite the problems of industrial production, the unemployment rate is holding steady and is retreating further after an increase in the first quarter. Inflation breached the single digits in the first quarter, coming in at 14.6% year over year in June. The energy was the most significant contributor to the high inflation rate. After holding out in March and April, the central bank again tightened its monetary belt by increasing the policy rate to 5.75% in May and 7.00% in June.

Prague's economy will expand at an above-average pace for the rest of 2022. The office-based sector will remain the largest source of support for high-wage jobs. While tourism will struggle, the arrival of thousands of Ukrainian refugees is expected to benefit leisure/hospitality establishments within the city.

## SUPPLY & DEMAND: Performance of the shopping centres remains solid

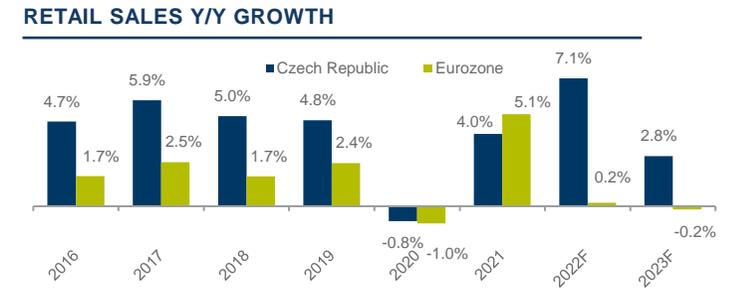
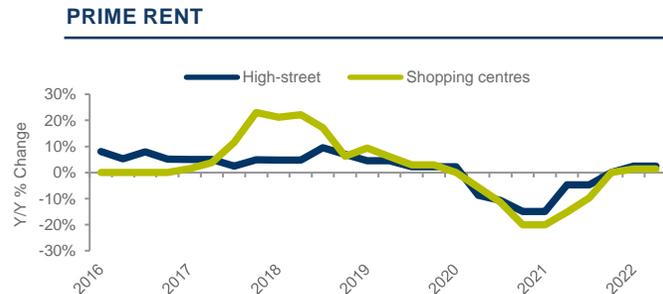
About 65,700 sq m of retail space is currently under construction in the Czech Republic. The development focuses primarily on smaller retail parks up to 5,000 sq m; however, some shopping centre extensions are also in the pipeline.

While mall sales kept well above pre-pandemic levels in Q2 2022 in the shopping centres (4.0%), the number of visitors remained about 7% lower on average in the C&W portfolio compared to the same period in 2019. Schemes in Moravia and smaller to mid-size schemes reported better results in both indicators. According to the Czech Shopping Centre Association, overall vacancy dropped to a record level of 3.6% in June.

The Czech retail market remains attractive for international brands. To date, 15 new brands opened their first store in the Czech Republic, the majority of them in Prague, and at least the same number of retailers is expected to arrive by the end of 2022.

## PRICING: Rents are growing mainly in the retail warehouse segment

Prime shopping centre rents increased to 3% since the beginning of the pandemic in Prague and up to 6% in the regions. Despite the tourism levels still lagging in Prague, the high-street rents almost recovered, especially in Pařížská street focused on luxury brands. The retail warehouse segment has seen the most dynamic development, with prime rents approaching 12.00 €/sq m/month. Room for further rental growth remains limited due to rising service charges and fit-out costs.





## MARKET STATISTICS

SUBMARKET	SHOPPING CENTRE STOCK (SQ M)*	SHOPPING CENTRE PIPELINE** (SQ M)	DENSITY (STOCK PER 1,000 INH.)
Praha	956,098	4,500	745
Brno	248,139	0	645
Ostrava	224,303	0	802
Liberec	136,800	0	1,329
Plzeň	136,372	0	779
Olomouc	132,170	24,600	1,289
Hradec Králové	103,036	0	1,137
České Budějovice	82,969	0	859
Teplice	70,257	0	1,441
Zlín	65,548	0	727
Ústí nad Labem	52,640	0	562
Karlovy Vary	48,450	0	1,065
Kladno	42,722	0	636
Pardubice	41,418	5,290	468
Opava	40,841	0	745
<b>CZECH REPUBLIC TOTAL</b>	<b>2,680,781</b>	<b>34,390</b>	<b>255</b>

\* Including total leasable area of traditional centres and mixed-use schemes over 5,000 sq m retail GLA.

\*\* Only permission granted and under construction centres and schemes included

## PRIME RENTS &amp; YIELDS

		PRIME RENTS		PRIME YIELDS	
		€/SQ M/MTH	Y-O-Y GROWTH	Current Q	Last Y
HIGH STREET SHOPS	Prague (Pařížská)	225.00	7.1%	5.00%	4.75%
	Brno (Svobody Sq.)	65.00	18.2%	6.50%	6.50%
SHOPPING CENTRES	Prague	142.00	1.4%	5.50%	5.25%
	Brno	65.00	4.8%	5.75%	5.75%
RETAIL PARKS (OUT OF TOWN)	Prague	11.50	7.0%	4.50%	5.25%
	Brno	10.00	8.1%	5.25%	5.75%

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