

# CZECH REPUBLIC

Retail Q3 2022



	YoY Chg.	12-Mo. Forecast
<b>€1,626*</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 Q2 2022

## ECONOMIC INDICATORS Q3 2022

	YoY Chg.	12-Mo. Forecast
<b>2.3%</b> GDP*	▼	▼
<b>2.4%</b> Unemployment Rate	▼	▼
<b>17.3%</b> CPI*	▲	▼
<b>-4.4%</b> Retail Sales Volume Index*	▼	▲

\*Annual growth estimates  
Source: Moody's Analytics

## ECONOMY: Despite solid growth in Q1-Q3 2022, the Czech economy is heading for stagnation

The Czech economy recorded three consecutive quarters of solid growth, which was powered by an increase in investment and took place despite stagnant private and government consumption, as well as weak net exports. Nevertheless, Czechia may struggle to avoid recession due to multiple external shocks, including surging energy prices. As inflation reaches new multidecade highs, real disposable income may shrink by nearly one-tenth by 2022, while investment activity will be confined by abnormally high interest rates. The decrease in disposable income is projected to result in an exceptional decline in consumption. The substantial increase in interest rates is also expected to result in a decrease in housing demand, and together with the high cost of materials, also to a slowdown in construction.

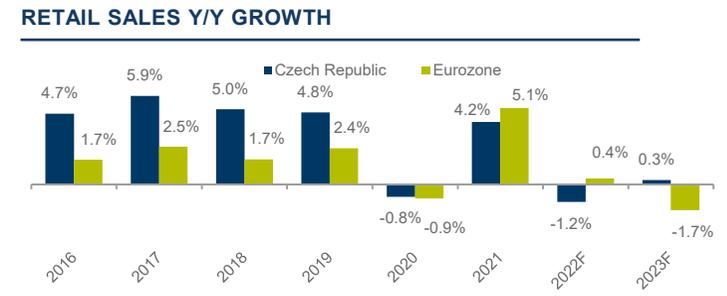
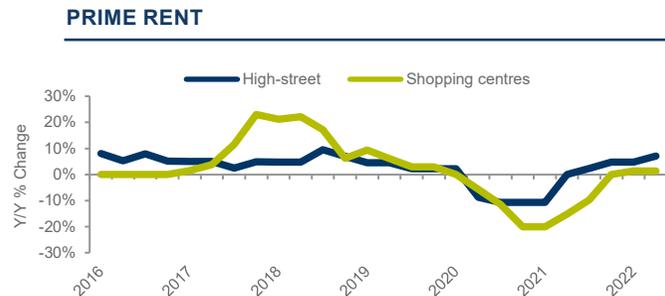
## SUPPLY & DEMAND: Retail pipeline includes mainly extensions of existing projects

With the recently granted planning permission for the mixed-use city centre projects, OC Dornych in Brno and Ameside in the Pilsen, total retail space in the pipeline increased to about 230,000 sq m in the Czech Republic. About 60,000 sq m should be delivered by the end of 2023, primarily extensions of the existing retail parks and shopping centres.

Performance of the shopping centres remained stable: while the footfall kept about 8% lower compared to pre-pandemic levels in Q3, mall sales remained well above their 2019 volumes (20% on average). Despite that a major part of the sales growth can be accounted to the rising prices of goods and services, sales grew more significantly in some categories, such as Household Goods, Health & Beauty or Electronics. However, in general, retail sales volumes (in real prices) have continued declining since May 2021, according to the official statistics. Some tenants, especially those weakened by the previous Covid crisis, may struggle with further expansion, refurbishment or development. On the other hand, others might use the opportunity to access prime locations that were previously not available to them.

## PRICING: Rental levels keep flat while retailers optimise their operational costs

Unable to reflect fully the increase of the operational costs in the final prices of the goods and services, retailers are trying to optimise costs, focusing on streamlining logistics and looking for other ways to reduce the impact of unprecedented growth in energy prices. Meanwhile, rental levels keep flat or slightly adjust to the expected indexation.





## MARKET STATISTICS

SUBMARKET	SHOPPING CENTRE STOCK (SQ M)*	SHOPPING CENTRE PIPELINE** (SQ M)	DENSITY (STOCK PER 1,000 INH.)
Praha	940,900	4,500	733
Brno	223,900	27,000	582
Ostrava	215,600	0	771
Liberec	136,800	0	1,329
Olomouc	132,200	24,600	1,289
Plzeň	129,500	64,600	740
Hradec Králové	103,000	0	1,137
České Budějovice	83,000	0	859
Teplice	70,300	0	1,441
Ústí nad Labem	52,600	0	562
Karlovy Vary	48,500	0	1,065
Zlín	46,500	30,100	516
Kladno	42,700	0	636
Pardubice	41,400	0	468
Opava	40,800	0	745
<b>CZECH REPUBLIC TOTAL</b>	<b>2,574,000</b>	<b>150,800</b>	<b>245</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	4.7%	5.00%	4.75%
	Brno (Svobody Sq.)	65.00	3.2%	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	4.5%	5.00%	5.25%
	Brno	10.00	5.3%	5.75%	5.75%

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