

# 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

	YoY Chg.	12-Mo. Forecast
<b>-6.7%</b> GDP*	▼	▲
<b>3.8%</b> Unemployment Rate	▲	▲
<b>-4.6%</b> Private Consumption*	▼	▲
<b>-0.3%</b> 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 & 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 Unhošt' 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.

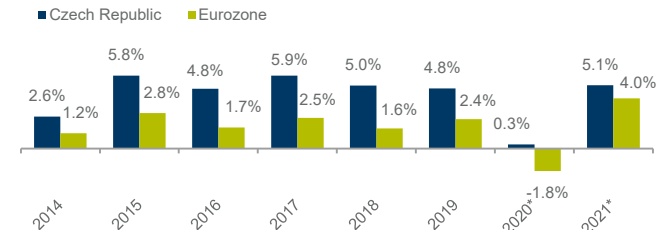
## PRICING: Landlords and tenants trying to mitigate impacts of Covid-19

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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