

CZECH REPUBLIC

Retail Q4 2020



€9,458

Disp. HH Income per capita

YoY Chg. 12-Mo. Forecast



€180.00

Prime Rent, Sq m/month



4.75%

Prime Yield



Prime rent and yield for High Street units

ECONOMIC INDICATORS Q4 2020

	YoY Chg.	12-Mo. Forecast
-6.9% GDP*	▼	▲
4.0% Unemployment Rate	▲	▲
2.7% CPI*	▼	▼
-3.4% Retail Sales Volume Index*	▼	▲

*Annual growth forecasts

Source: Moody's Analytics, Czech Ministry of Labour and Social Affairs

ECONOMY: 2020 economy results better than expected

After a relatively "normal" summer, severe restrictions were imposed again in Q4 caused by the second and third waves of the pandemic. GDP estimate for 2020 remains roughly the same with an expected drop of -6.2% y/y. However, the containment measures hit retail much harder than other sectors of the economy. From October 22 to December 2, brick-and-mortar shops were closed. They operated in a relatively normal mode for three weeks after that, with limits of the number of customers per sq m of the shopping area. The gradually deteriorating pandemic situation has forced the government to close shops and services again from December 27.

SUPPLY & DEMAND: There is no reason to imply that retail will not work in a longer-term

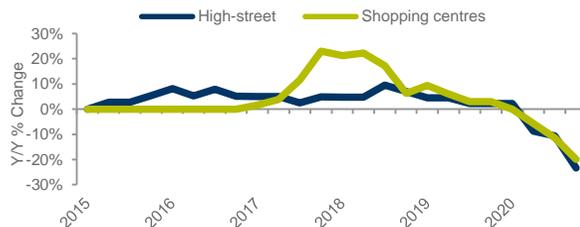
Although the Christmas season was comparable to the previous year in sales, it was not enough to pay for losses from the periods when stores were closed, and Government help could not compensate for customer spending. Prague high streets and city centre shopping malls are the most affected again. They suffer from a sharp drop in both international and recently also domestic tourism. According to the Czech Statistical Office, in November 2020, sales declined the most in clothing and footwear (-77.8% y/y) followed by products for culture, sports, and recreation (-37.1% y/y). On the other hand, retail trade via the Internet or mail order services increased by 36.5% y/y in the same period, showing a similar transfer of customers to e-commerce as in the first wave in spring.

Although few Czech local retailers announced first bankruptcies due to Covid-19 crisis, there is no reason to imply that retail will not work in a longer-term. There was never an oversupply on the Czech retail market, and some sectors (electronics, home equipment) did well despite closed shops in 2020. Investments currently flow into the construction and expansion of retail parks, which proved to be more resistant to current challenges. On the other hand, landlords of schemes above 50,000 sq m will have to re-evaluate and adapt them to the post-Covid times.

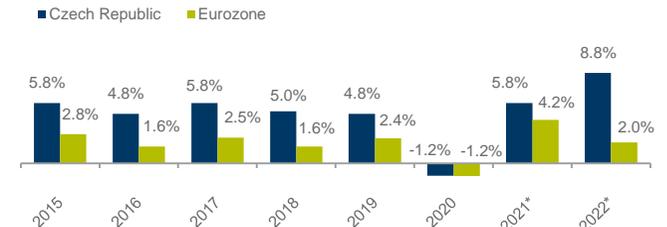
PRICING: Landlords continue to prevent losing tenants and offer more flexible conditions

Prague shopping centres and almost all big schemes and high street faced another drop in sales and footfall at the end of 2020, which caused an increase in vacancies and further pressure on rental levels. Landlords continue to prevent losing tenants and offer more flexible conditions and competitive rents. Further development of the anti-pandemic restrictions will show how long the crisis will last. However, rents should return to their 2018/2019 level soon after the end of the pandemic.

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	926,800	147,200	1,324,277	700	140 €	5.25%
Moravia-Silesia	332,600		1,200,539	277	62 €	7.50%
South Moravia	269,400	69,300	1,191,989	226	48 €	5.75%
Ústí nad Labem	182,700		820,965	223		
Liberec	177,500		443,690	400		
Olomouc	156,800		632,015	248		
Pilsen	121,800	40,200	589,899	206		
Central Bohemia	120,200	64,600	1,385,141	87		
Hradec Králové	101,100		551,647	183		
South Bohemia	96,800		644,083	150		
Zlín	77,000	30,200	582,555	132		
Karlovy Vary	69,700	10,000	294,664	237		
Pardubice	48,100	57,600	522,662	92		
Vysočina	36,600		509,813	72		
CZECH REPUBLIC TOTAL	2,717,100	419,100	10,693,939	254		
Prague High street					180.00**	4.75%
Brno High street					55.00	6.50%
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.

**Precise rental level is difficult to assess as there is currently a lack of evidence on the market.

KEY CONSTRUCTION COMPLETIONS 2020

PROPERTY	SUBMARKET	ANCHOR TENANTS	SQ M	OWNER / DEVELOPER
RP Kolín Ovčáry	Kolín	Lidl, SuperZOO, Teta, Wiky, NKD, Banquet	12,000	KPD Group
RP Okružní	České Budějovice	Lidl, Mountfield, dm drogerie, Pepco, JYSK	8,000	KPD Group
OC Opatovská	Prague	Lidl, Pet Center, dm drogerie, Pepco, Pompo	6,200	TTP Invest

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