

CZECH REPUBLIC

Retail Q2 2020

€42,932

Average HH Income 2019

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 Q2 2020

	YoY Chg.	12-Mo. Forecast
-11.8% GDP*	▼	▲
3.7% Unemployment Rate	▲	▲
-12.8% Private Consumption*	▼	▲
-11.7% Retail Sales Volume Index*	▼	▲

*Annual growth forecasts

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

ECONOMY: Retail is recovering faster in regions than in major city centers

All stores except groceries, pharmacies, drugstores, and few others had to be closed from 14 March as part of the measures against the spread of the Covid-19 pandemic. Although a partial release began as early as the end of April, shopping centers could not reopen until May 11, and restaurants even two weeks later. While regional retail has been recovering relatively quickly, footfalls and sales in larger cities, especially Prague with a high share of international tourism, have remained below their usual levels in this period of year. Overall, GDP growth is expected to contract by 11.8% y/y in Q2 and according to current assumptions, the Czech economy should start recovering next year.

SUPPLY AND DEMAND: The largest increase in new retail space will be at the end of the year

The retail market has been recently more focused on refurbishments of retail spaces to increase their attractiveness rather than delivering new schemes with exception of a new mixed-use project Bořislavka Center in Prague, which should be opened later this year. Many shopping centers have been undergoing major or minor renovations, mainly including new food courts or leisure units. On the other hand, segment of retail parks has yet to reach its saturation. Two new retail parks, were opened in June in Brno and České Budějovice and few others are in pipeline. The Covid-19 crisis and the closure of shops have reinforced the importance of online shopping. This need not to be bad news for traditional brick-and-mortar retail, if it quickly adjusts to the new trends and adds a new distribution channel to its operation.

The changing reality on the market becomes evident in the current sales, which were close to their pre-Covid levels in many shopping centers in June, while footfalls remained significantly lower. With the existing threat of a second wave of the pandemic, it is obvious that retail premises are no longer preferred place to spend excess time.

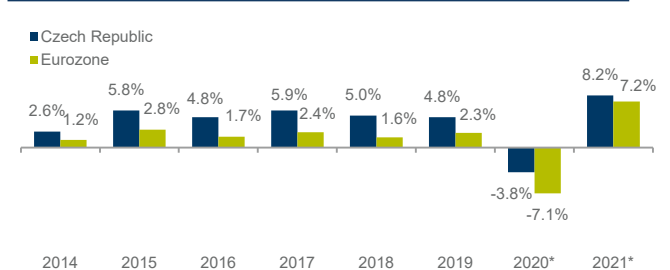
PRICING: Prime high-street rents under pressure from retailers

Prime high-street rents fell by 10% q/q in Q2 and further temporary decrease cannot be excluded, due to the missing purchasing power of long-haul international tourists in Prague. On the other hand, rental levels in shopping centers should remain stable in the whole country.

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	175.00	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	5.00%
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		
CZECH REPUBLIC TOTAL	2,590,000	160,300	10,693,939	242		
Prague High street					210.00	4.50%
Brno High street					70.00	6.25%
Prague Retail parks					10.75	6.25%
Brno Retail parks					9.25	6.75%

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

KEY CONSTRUCTION COMPLETIONS YTD 2020

PROPERTY	SUBMARKET	ANCHOR TENANTS	SQ M	OWNER / DEVELOPER
RP Okružní	České Budějovice	Lidl, Mountfield, dm drogerie, Pepco, Super zoo, Jysk, Planeo elektro	8,000	KPD Group
OC Opatovská	Prague	Lidl, dm drogerie, Pepco, Kik, Pet center	6,200	TTP Invest
RP Staré Město	Staré Město	Mountfield, Sportisimo, Teta, Pet center	4,000	Fidurock Capital
OC Kaštanová (1st phase)	Brno	Lidl, Teta, PetPlanet	2,900	OC Kaštanová

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