

SLOVAKIA

Retail Q4 2019



Source: Oxford Economics (figures represent Y/Y change)

ECONOMY: Positive Outlook on Retail Sales Remains

In Q3, year-on-year GDP growth slowed again, to 1.8% compared with 2.4% in the previous quarter. However, probability of global recession has decreased amid receding US-China trade concerns. Export activity was dragged down by the industrial production slowdown. This is countervailed by a steady consumer demand which is supportive for inflation expectations. Retail sales are growing, but so is the e-commerce market share. However, there are no signs of immediate threat to the traditional physical stores. Record low unemployment rate causes slowdown of job growth. This economic climate puts an upward pressure on real wages but limits further private sector expansion.

SUPPLY & DEMAND: Slovakia Increases Trust Among Big-Name Chains

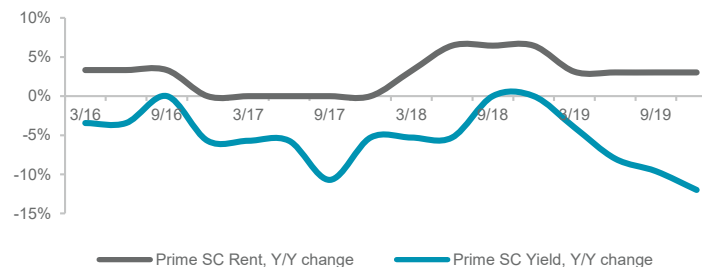
The Irish fast fashion retailer, Primark, confirmed its long-anticipated market entry into Slovakia. The first store is expected to open in 2022 in Eurovea, Bratislava. Along with recent entries of Under Armour and COS, this will likely encourage other big-name chains to consider entering the Slovak market. Oysho and Zara Home, owned by the Spanish clothing giant Inditex, are expected to open their first stores in Slovakia during 2020. Another subsidiary brand, Bershka, plans to expand regionally. Retailers in Bratislava are anticipating the completion of two major schemes currently under construction; Stanica Nivy and Eurovea II. This will determine the competitiveness of existing shopping centres. Moreover, the increasing popularity of high street defies the current shopping centre development boom. Retailers are therefore faced with a new challenge – how will they navigate this new environment and find the right location for their concepts.

PRICING: Asking Rents Remain Stagnant

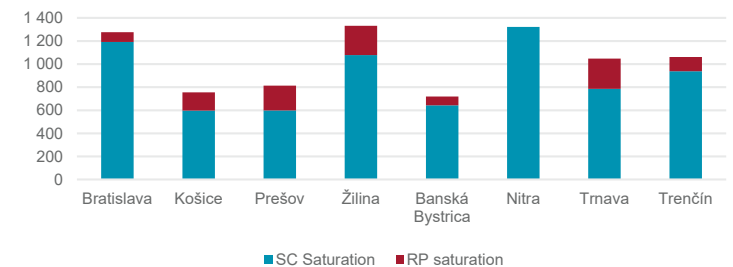
CRE investment maintains its course even after an exceptionally strong 2018, totaling around € 650 million in 2019. Only about 15% of this volume was transacted in the retail sector since most of the prime schemes have already changed hands recently. A Czech firm, Franco Real Estates, was the most significant investor in Slovakia's retail market in 2019 thanks to the acquisition of 67 VÚB branches. Although retail investment opportunities are currently limited, further investment activity is possible on the resale market.

Stanica Nivy completion will have a pivotal impact on Bratislava's retail market. Prime shopping centre rents are stable so far as consumer demand thrives. Landlords are finding new and innovative ways to attract footfall which further supports the tenant's market notion. Demand for class A premises is strong, and secondary redeveloped schemes should keep up as well.

PRIME RENT & PRIME YIELD Y/Y CHANGE



SATURATION BY MAJOR CITIES



MARKETBEAT

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