ECONOMY: Slovakia Among the First Countries to Reopen, Economy in Recovery Phase
Slovakia’s economy has been hit by the domestic, as well as international restrictive measures which have been implemented to minimize the impact of the coronavirus pandemic on public health. According to Oxford Economics data, Slovakia’s real GDP should see a year-over-year drop in all four quarters of 2020. Prices should continue to rise, although by a smaller rate. The trough of the economic activity was reached in Q2 and most of the economy should now be in a recovery phase, including domestic demand, private sector revenues, industrial production, exports and retail sales. Due to a relatively mild course of the pandemic, Slovakia enjoyed one of the fastest reopenings of the economy in the world. The sentiment in private sector has grown less tense as evidenced by the month-over-month increase in industrial turnovers, construction output and real estate activities (based on the Statistical Office of the Slovak Republic data).

SUPPLY & DEMAND: Retail Gets Back on Track as New Schemes Approach Completion
As of the end of the second quarter, the footfall of most shopping centres was around 60 - 80% compared to the period before the COVID-19 pandemic, while individual operations were able to achieve 50 - 200% of turnovers from the beginning of the year, depending on the sector. Termination of leases has so far occurred mainly for tenants who had a weak financial situation before the pandemic or small retailers and F&B concepts. These businesses reported their turnovers dropping to 30% of pre-COVID levels, on average.

Despite the postponement of the opening of most of the planned retail projects to next year, we could see the opening of the Tesco Galéria Petržalka shopping centre at the beginning of June, where well-known fashion and gastronomic brands also opened along with it. This year we also expect the opening of the Forum Prešov shopping centre or the Tesco Kamenné námestie redevelopment in the centre of Bratislava.

PRICING: Prime Rent Holds Steady while Prime Yield Sees a Small Uptick
Prime shopping centre rent has remained stable at 65 EUR/sq m/month in the second quarter. Prime shopping centre yield saw a minor quarter-over-quarter increase of 0.10%.

Combined effects of consumption recovery, landlord concessions (such as rent discounts, higher tenant improvement allowance or shorter lease periods) and changes in the shopping centres’ tenant mix could bring about stabilisation of retail by the end of the year and a possible return of investment activity in this sector next year.
CUSHMAN & WAKEFIELD RESEARCH PUBLICATION

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