

# SLOVAKIA

Retail Q3 2020



€56,335

Average HH income (PPP)

YoY Chg



12-Mo. Forecast



€65.00

Prime Rent, PSM



6.00%

Prime Yield



Prime rent and yield for shopping centre units.  
Reporting year for household income is 2019.

## ECONOMIC INDICATORS Q3 2020

	YoY Chg	12-Mo. Forecast
<b>-6.4%</b> Real GDP	▼	▲
<b>7.4%</b> Unemployment Rate (September 2020)	▲	▼
<b>1.2%</b> CPI	▼	▲
<b>2.6%</b> Retail Sales (volume index)	▲	▲

Measurement: Annual growth, unless indicated otherwise.  
Source: Oxford Economics, ÚSVaR  
Note: Figures are estimates except for unemployment rate.

## ECONOMY: Slovakia's Economy in Recovery Phase Although Growing COVID-19 Cases Cause Uncertainty

The third quarter has seen a rise in active cases and test positivity rate for COVID-19. Despite this, most of the main economic indicators showed continuous month-on-month improvements. According to the Statistical Office of the Slovak Republic, the manufacturing and industrial production returned roughly to the levels from previous year in August. Economic sentiment indicator showed three consecutive monthly increases during the third quarter. Price growth continued to slow down, reaching 1.4% in August and totaling 2.2% in the first eight months of 2020. Prices in restaurants and hotels grow at a smaller rate than last year, however, they improve on a monthly basis. Seasonally adjusted confidence indicator in services increased in September. In terms of outlook, Oxford Economics estimates that the positive real GDP growth will return in Q1 2021 and the pre-COVID-19 private consumption levels should return by Q2 2021.

## SUPPLY & DEMAND: Planned Retail Projects Are Restrained by Building Authorities With Limited Capacities

Prime shopping centres in Bratislava saw an overall decline in footfall to about 70-80% of the pre-COVID level by the end of the third quarter. Regional retail schemes were in a better shape since they have a better ability to capture steady local consumption and are not dependent on the presence of employees in adjacent office buildings.

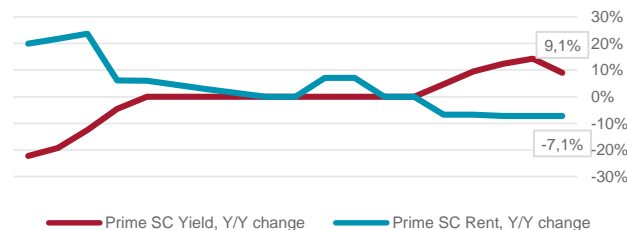
On the part of retailers, sporting goods retailers and variety discount retailers triumph, with their popularity being proven by solid financial results even during the COVID-19 crisis. Fashion and F&B saw an average 20-30% drop in sales, and fitness centres, cinemas and play areas are the most affected due to tighter epidemiological measures.

In September, Tesco Kamenné námestie opened a large F&B zone with 14 concepts and the capacity of around 500 people. Novum Prešov has postponed the planned opening, which will take place in three parts; in October and November of this year and in the spring of 2021. Brands such as GAP, Oysho, Paul Bakery, Springfield, Women'secret or Zara Home are announcing their arrival. The expansion is also announced by the Polish grocery chain Žabka, a franchise of Tesco.

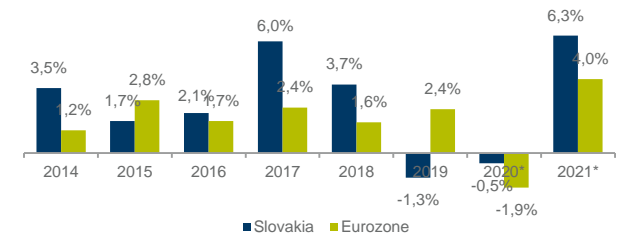
## PRICING: Prime Rent and Prime Yield Hold Steady for Now

Retail segment is the most affected by lockdown measures and decreasing consumer spending, erasing parts of turnover rents and creating pressure on overall rental levels. Due to the potential cashflow disruptions and overall shakeout of the retail market, the prime retail yield moved up to 6.00% with further upward potential. Turnover and footfall disruptions might require temporary step rents or rent frees partially compensated by state aid. Switching to turnover rent might not be the best solution as it is not covered by the state aid and is subject to sectoral demand swings. We expect the decreased footfalls and turnovers to persist in the near term, depending on the extent of the upcoming Government restrictions.

## PRIME RENT & PRIME YIELD Y/Y CHANGE



## RETAIL SALES (VOLUME INDEX) Y/Y CHANGE





## MARKET STATISTICS

REGION	SHOPPING CENTRE STOCK (SM)	SHOPPING CENTRE PIPELINE (SM)	POPULATION	SATURATION (SC+RP STOCK PER 1,000 INH)	PRIME RENT	PRIME YIELD
Banská Bystrica	89,256	3,400	645,000	223		6.00%
Bratislava	500,361	102,700	670,000	816	€65.00	6.00%
Košice	175,000	14,000	801,000	263		6.00%
Nitra	114,700	35,000	675,000	242		6.00%
Prešov	87,600	46,900	826,000	206		6.25%
Trenčín	76,400	-	585,000	248		6.25%
Trnava	102,300	-	564,000	264		6.00%
Žilina	156,200	36,100	691,000	338		6.25%
<b>SLOVAKIA TOTAL</b>	<b>1,301,973</b>	<b>219,100</b>	<b>5,458,000</b>	<b>322</b>	<b>€65.00</b>	<b>6.00%</b>

## KEY PIPELINE PROJECTS

PROPERTY	MUNICIPALITY	PLANNED RETAIL GLA	EXPECTED OPENING	INVESTOR
Stanica Nivy	Bratislava	70,000	2021	HB Reavis
Novum Prešov	Prešov	30,500	2020	GEMO
Promenada Living Park	Nitra	26,000	2021	ICT ISTROCONTI
Eurovea	Bratislava	25,000	2022	J&T
OC Ruža	Ružomberok	24,000	2021	TetraStav
Eperia Prešov	Prešov	11,000	2021	J&T

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