

SLOVAKIA

Retail Q4 2020



	YoY Chg	12-Mo. Forecast
€9,361 Disposable income per capita	▲	▲
€65.00 Prime SC Rent, PSM	▼	—
6.00% Prime SC Yield	▲	—

Note: SC – shopping centre.
Disposable income was estimated by Moody's.

ECONOMIC INDICATORS Q4 2020

	YoY Chg	12-Mo. Forecast
-2.5% Real GDP	▼	▲
7.6% Unemployment Rate (December 2020)	▲	▼
1.5% CPI	▼	▲
2.8% Retail Sales	▲	▼

Measurement: Yoy change estimate, unless indicated otherwise.
Source: Moody's, ÚSVaR

ECONOMY: Slovakia's Economy on a Rocky Road to Recovery

Despite nationwide testing and lockdowns, test positivity rate and the number of hospitalized patients surged at the turn of the year given heightened mobility of population during the holidays. As COVID-19 continues to trigger unprecedented Government response, the business environment must navigate through this unique playing field. According to the estimate of the National Bank of Slovakia, Slovakia's GDP fell 5.7% last year, while according to the estimate of the European Central Bank, the GDP of euro area as a whole fell 7.3%. The third quarter has seen a real GDP drop of 2.4% and a similar sentiment is expected at the year end. After an excellent third quarter, production, exports and turnovers fell slightly month-on-month. The adopted anti-pandemic measures have reflected in employment as well as in wages, the growth of which slowed down. Liquidity shortfalls in the private sector were sought to be replaced by external sources of finance which were more accessible due to the monetary policy measures and Government guarantees.

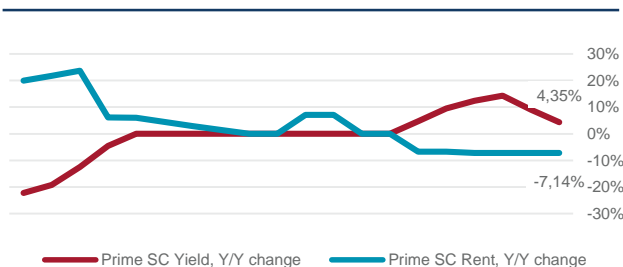
SUPPLY & DEMAND: COVID-19 Has Put E-Commerce at the Forefront of Retail

As the nationwide lockdown measures extended, further demand slump continued looming over struggling retailers. These unenviable circumstances have reflected in the overall turnovers of retailers, which recorded a month-on-month decrease of 2.0% in November, according to the Statistical Office of the Slovak Republic. Even December did not provide them with the much-needed rebound in consumption, as evidenced by the month-on-month decline in consumer prices, mainly prices for food, clothing, transport and furniture. While the impact of vaccination on Slovak retail will be generally positive and stabilizing, we cannot count on a major shift in the consumer behaviour of the population. Businesses that got into financial difficulties during the pandemic will continue to be affected and lose market share to the sectors and concepts that flourished – sporting goods, variety discount chains, hobby markets, electronics, gardening supplies, etc. Every retailer who has managed to effectively implement omnichannel sales is in a significantly better position during and after this pandemic. E-commerce appears to be the clear victor, spilling its optimism over to the industrial sector which has boosted built-to-suit development thanks to the surge in pre-lease contracts with online retailers. As a result, retail property development saw a slowdown in 2020, expanding Slovakia's shopping centre stock by less than 70-thousand sq m; a number that includes Novum Prešov, which only opened about one third of its retail areas in 2020. However, we record a strong development and investment pipeline planned for 2021.

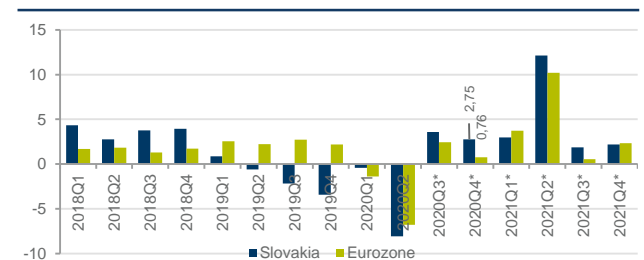
PRICING: CRE Investment Poised for a Rebound as Last Year's Volume Waned Amid the Ongoing Pandemic

Total commercial real estate investment amounted to EUR 502 million in 2020, a year-on-year decrease of 27%. The retail market was hit hardest this year by a decline in mobility and a consequent decline in turnovers of shopping centres. The biggest drop in turnovers was recorded by shopping centres near business centres due to the higher rate of work from home. Retail transactions in 2020 amounted to only around 56 million euros, mostly transactions from the first quarter. The investment sentiment was consistent with pricing, as shopping centres were forced to lower their asking rents, which reduced the prime rent to 65 EUR / sq m / month, a 5 EUR decrease compared to 2019. Prime yields increased by 25 basis points year-on-year to 6.00%.

PRIME RENT & PRIME YIELD (Y/Y CHANGE, %)



RETAIL SALES 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	92,600	10,600	645,000	217		6.00%
Bratislava	506,800	115,500	670,000	825	€65.00	6.00%
Košice	175,000	29,000	801,000	263		6.00%
Nitra	123,700	33,300	675,000	261		6.00%
Prešov	118,200	16,400	826,000	243		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%
SLOVAKIA TOTAL	1,351,200	240,900	5,458,000	331	€65.00	6.00%

KEY PIPELINE PROJECTS

PROPERTY	MUNICIPALITY	PLANNED RETAIL GLA	EXPECTED OPENING	INVESTOR
Stanica Nivy	Bratislava	70,000	2021	HB Reavis
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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