

SLOVAKIA

Retail Q1 2021



	YoY Chg	12-Mo. Forecast
€9,428 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 Q1 2021

	YoY Chg	12-Mo. Forecast
2.9% Real GDP	▼	▲
8.0% Unemployment Rate	▲	▼
0.8% CPI	▼	▲
-2.1% Retail Sales	▼	▲

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

ECONOMY: Prolonged Lockdowns Weighed On the Economy, but Pent-up Demand Should Accelerate Upcoming Recovery

The prolonged restrictions introduced due to the second wave of the COVID-19 pandemic weighed on the real output of Slovakia, resulting in a 5.2% contraction of GDP in 2020. The gradual easing in the second quarter of 2021 along with the continued government support is expected to contribute to the rebound in GDP growth, mostly driven by pent-up demand and maintained low borrowing costs. Slovakia's heavy focus on manufacturing is both a blessing and a curse, as the industrial sector is proving to be shielded from the direct impacts of the pandemic. Housing market has been bolstered by lower interest rates together with buyers, whose economic situation was not negatively affected by the lockdown, looking for more living space as commuting times matter less. With the assumed reopening of the economy in the later first half of 2021, a sharp rebound in spending should prop up consumer-oriented businesses.

SUPPLY & DEMAND: Retail Landlords Tout Pre-COVID Footfall Following the Reopening of Stores

Although vaccine rollout across the world heralds the slow return to normal life, the pandemic has also clouded the outlook for retail properties, given the increasing adoption of online shopping and work-from-home. During the first quarter, retail continued to be burdened by prolonged lockdowns, which resulted in subdued leasing activity. However, prime retail schemes enjoyed pre-COVID footfalls after the Government decided to lift the restrictions on retail in April.

The possibility to apply for a rent subsidy has been extended until the end of June. The subsidy can be provided to a tenant in the amount in which the discount from the rent was provided based on an agreement between the landlord and the tenant, but not more than 50% of the rent for the period of difficult use. Despite this measure, however, some tenants had to terminate their leases. Tenancy mix is undergoing a shift towards more competitive brands and sectors of retail that showed resilience during the pandemic.

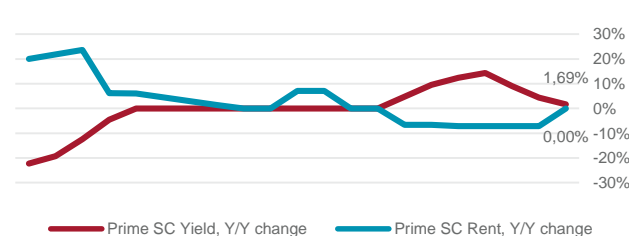
New development stalled, and no major completions were recorded during the first quarter. Nitra, Žilina, Bratislava and Martin remain the only cities with more than 1 sq m of shopping centre GLA per capita. The modern and highly competitive shopping centre Novum Prešov has opened more than a half of its shops earlier this year and is ready to launch most of its remaining units soon.

PRICING: Pricing Direction Remained Ambiguous As Continued Lockdown Froze Rental Activity

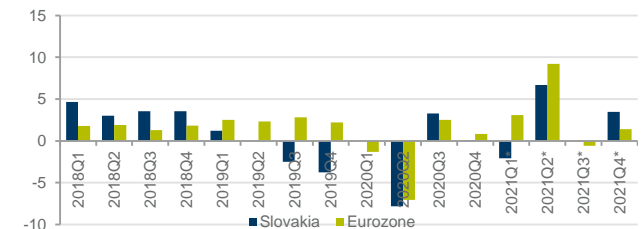
After the investment "de-risking" period, which largely benefited the industrial property sector, a partial rotation back towards other segments of real estate is anticipated in 2021. The assumed shift from unknown risks to known risks, as well as the easing of government restrictions support the ongoing negotiations which now indicate revival of investment activity across the commercial real estate landscape.

We can see a notable pick up in the investment activity in 2021, including several ongoing negotiations in the retail sector. The only major retail transaction closed in the first quarter was the acquisition of a majority stake in Cassovar Business Center in Košice by InTeFi, which includes 7,000 sq m of leasable retail areas. The direction of the shopping centre pricing remains to be somewhat ambiguous, and it must be determined on a case-by-case basis. However, the recent optimism associated with the partial reopening of retail gives a glimpse of hope to investors who are reliant on the performance of all retail businesses. The curfew and the closure of much of retail during the first quarter have turned into a freeze on rental activity in shopping centres, and the full impact of the pandemic on rental conditions will not be visible until the economy fully reopens. Prime yield for shopping centres remains at 6% with a negative outlook.

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	97,600	10,600	645,000	225		6.00%
Bratislava	506,800	118,500	670,000	825	€65.00	6.00%
Košice	175,000	47,000	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	1,356,300	261,800	5,458,000	332	€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 II	Bratislava	25,000	2022	private investor
OC Ruža	Ružomberok	24,000	2024	TetraStav
Eperia Prešov (extension)	Prešov	11,000	2021	J&T
OC Madaras (extension)	Spišská Nová Ves	10,000	2022	IMBIZ

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