

SLOVAKIA

Retail Q2 2021



€1,239

Average monthly wage

YoY Chg



12-Mo. Forecast



€65.00

Prime SC Rent, PSM



6.00%

Prime SC Yield



Note: SC – shopping centre.
Average monthly wage relates to Q1.

ECONOMIC INDICATORS Q2 2021

	YoY Chg	12-Mo. Forecast
11.2% Real GDP	▲	▼
7.8% Unemployment Rate	▲	▼
2.0% CPI	▼	▲
1.1% Retail Sales	▲	▲

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

ECONOMY: Pent-up Demand Accelerated Recovery in the Second Quarter

The Slovak economy should reach the pre-crisis level in the second half of this year. According to the National Bank of Slovakia, the economy should grow by 4.5% this year, and the growth should accelerate to 5.9% in 2022. Foreign demand, which was driving the economy, should weaken slightly due to shortages of components. Lockdown during the second wave caused excess savings and consumption shift from services to goods. The labour market should see a faster recovery in employment and a sharp rebound in spending should prop up consumer-oriented businesses. The risk of faster rise in inflation remains, which, on the other hand, would force households to reduce their record saving balances. This year's growth might be jeopardized by a low vaccination rate which currently lags behind neighbouring countries, staying far below the 60% threshold needed for gaining herd immunity. This might lead to a possible reintroduction of anti-pandemic measures and additional lockdowns, affecting the projected growth.

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. However, in the second quarter, retail was no longer burdened by prolonged lockdowns, which resulted in an increase in leasing activity. We should also see some significant project completions by the end of this year. Refurbished Tesco department store opened under a new name, OD PRIOR Nitra, with the total leasable space of more than 10,000 sq m in June. Another iconic building, the original Prior department store, was opened in the centre of Košice after an extensive reconstruction under the new name OD Urban in April.

This year, we expect the arrival of up to eight new foreign brands in Slovakia, while up to three of them will move to the new Novum Prešov shopping center - Women's Secret, Springfield and Regatta.

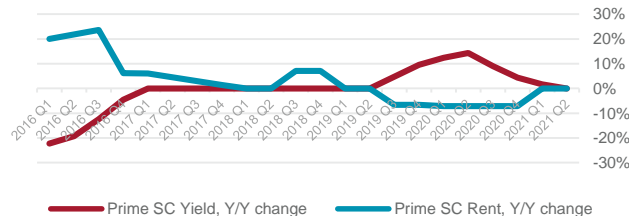
The deadline for a rent subsidy application for the period during the 2nd wave of the pandemic ended on 30 June and this deadline was also final for any corrective submissions. The subsidy could be provided to the tenants in the amount in which the discount from the rent was provided on the basis of 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.

PRICING: Prices in Retail Remain Stable

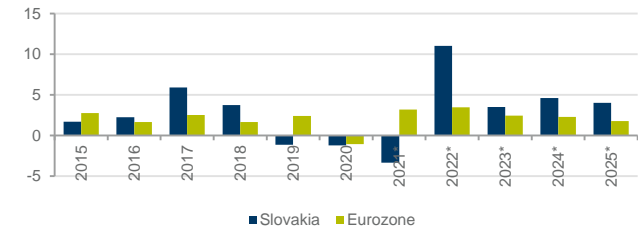
As the pandemic slowed down, the retail leasing activity returned and with it the surge in footfall and turnovers. We saw a stabilization in rents which boosts confidence of investors who are reliant on the performance of retailers. Prime rent for shopping centres remains at 65 EUR/sq m/month with a neutral near-term outlook.

The retail sector is gaining liquidity in the investment market, where we saw four transactions during the first half of the year. By the end of the year, we expect at least three more transactions, which should put this sector at the forefront of the investment market in 2021. Prime yield for shopping centres remains at 6.00% with a stable near-term outlook. In the segment of retail parks and retail warehouse units, we are seeing a yield compression pushing the prime yields down to 7.00%, while projects with strong covenant strength and WAULT of 10 years can attack a pricing of 6.25% to 6.50%.

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



RETAIL SALES INDEX (Y/Y CHANGE, %)



MARKET STATISTICS

REGION	POPULATION	SHOPPING CENTRE STOCK (\$M)	SATURATION (SC+RP STOCK PER 1,000 INH)	SHOPPING CENTRE PIPELINE (\$M)	PRIME RENT	PRIME YIELD
Banská Bystrica	643,000	97,600	232	10,600		6.00%
Bratislava	677,000	506,800	822	118,500	€65.00	6.00%
Košice	802,000	183,000	273	24,000		6.00%
Nitra	671,000	137,700	287	26,000		6.00%
Prešov	827,000	118,200	248	11,000		6.25%
Trenčín	582,000	76,400	253	-		6.25%
Trnava	565,000	102,300	265	-		6.00%
Žilina	691,000	165,400	339	36,100		6.25%
SLOVAKIA TOTAL	5,460,000	1,387,400	338	226,100	€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	2022	ICT ISTROCONTI
Eurovea II	Bratislava	25,000	2022	private investor
Eperia Prešov (extension)	Prešov	11,000	2021	J&T
OC Madaras (extension)	Spišská Nová Ves	10,000	2022	IMBIZ

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