

	YoY Chg	12-Mo. Forecast
€1,202 Average monthly wage	▲	▲
€65.00 Prime SC Rent, PSM	■	■
6.00% Prime SC Yield	■	■

Note: SC – shopping centre.
Average monthly wage relates to Q2.

ECONOMIC INDICATORS Q3 2021

	YoY Chg	12-Mo. Forecast
3.2% Real GDP	▲	▲
7.1% Unemployment Rate (September 2021)	▲	▼
3.8% CPI	▲	▼
9.6% Retail Sales (Q2)	▲	▲

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

ECONOMY: Immunization Coverage Among Biggest Hurdles in Maintaining Economic Growth

According to the National Bank of Slovakia, achieving the pre-crisis levels of gross domestic product will be postponed to the beginning of 2022, due to the effects of the third wave of COVID-19 and the supply chain disruptions affecting the industrial production. According to Statistical Office of the SR, year-on-year growth in consumer prices increased to 3.8% in the third quarter, and inflation should not return to 2% until 2023. The increase in prices was mainly due to the increase in input prices and the compensation of the loss of sales by retailers. The rise in prices also applies to real estate, which is supported by the fact that Slovakia is one of the countries with the lowest mortgage rates in the euro area. Confidence in retail and services has been very positive, but companies have faced the problem of a shortage of available workforce, which has seen a partial rotation towards sectors with higher resistance to the pandemic. The improvement in the epidemiological situation in the third quarter led to an increase in mobility, which brought about a gradual recovery of the service sector. However, this year's growth might be jeopardized by a low vaccination rate which still lags behind neighbouring countries, staying far below the threshold needed to keep the health care system in the country from being overloaded during the next wave of the pandemic.

SUPPLY & DEMAND: Retail Market Is Reshuffling as Nivy Shopping Centre Opens

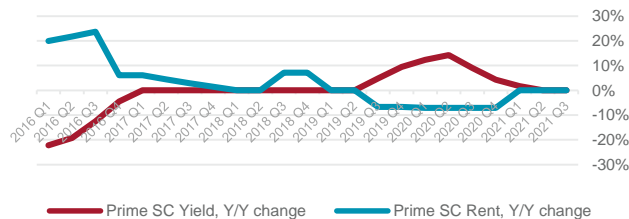
Despite the impact of the pandemic on the performance of shopping centres, new schemes are opening across Slovakia. In September, the Eperia shopping centre was expanded by approximately 11,000 square metres, competing for Prešov consumers with Novum Prešov, which opened its doors in October last year, and currently has an openness of more than 90%. A new major shopping centre was added to the map of Bratislava retail after the opening of Nivy, which should also have an impact on the performance of surrounding projects and regroup existing consumers among them. Eurovea 2, which is expected to open at the end of next year, is now the only large-scale retail project under construction in Bratislava. Promenada shopping centre in Nitra with 26,000 square metres of leasable space is also expected in the first half of next year. Some projects in the planning phase face the problem of rising prices for building materials, which reduce the potential profitability of projects.

Tenants can no longer draw subsidies in the form of rent relief, and pandemic aid to businesses has been reduced as well. An indirect consequence is that many employees migrate to sectors with greater job stability, such as industry. A significant change is also a widened gap between first-class and secondary retail projects.

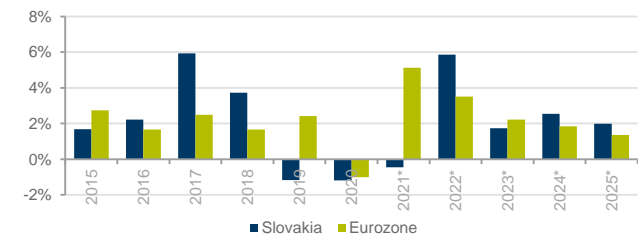
PRICING: Investors Take Advantage of Competitive Retail Yields

The main Bratislava shopping centres maintain a rather stable level of rents with individual agreement on contractual terms that result from the difficult situation of tenants during the pandemic. Popular measures include turnover rents, step rents or fit-out contributions due to the depleted financial reserves of tenants. Income difficulties due to past lockdowns have made shopping centres harder to sell, especially taking into consideration the uncertainties stemming from the opening of new schemes. Prime rent for shopping centres remains at 65 euros per sq m per month. Prime yield also remained at 6.00% as we record a healthy appetite for retail assets across the country mainly from domestic investors. Retail parks and standalone retail warehouses continue attracting investors' attention, creating pressure on yields with prime retail park yield attacking 7.00% in the third quarter.

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	576,800	929	48,500	€65.00	6.00%
Košice	802,000	183,000	273	24,000		6.00%
Nitra	671,000	137,700	287	30,400		6.00%
Prešov	827,000	129,200	261	-		6.25%
Trenčín	582,000	76,400	253	-		6.25%
Trnava	565,000	102,300	266	-		6.00%
Žilina	691,000	165,400	347	36,100		6.25%
SLOVAKIA TOTAL	5,460,000	1,468,300	356	149,600	€65.00	6.00%

KEY PIPELINE PROJECTS

PROPERTY	MUNICIPALITY	PLANNED RETAIL GLA	EXPECTED OPENING	INVESTOR
Promenada Living Park	Nitra	26,000	2022	ICT ISTROCONTI
Eurovea II	Bratislava	25,000	2022	private investor
OC Madaras (extension)	Spišská Nová Ves	10,000	2022	IMBIZ

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