

SLOVAKIA

Retail Q4 2021



	YoY Chg	12-Mo. Forecast
€1,185 Average monthly wage	▲	▲
€65.00 Prime SC Rent, PSM	▬	▬
6.00% Prime SC Yield	▬	▬

Note: SC – shopping centre.
Average monthly wage relates to Q3.

ECONOMIC INDICATORS Q4 2021

	YoY Chg	12-Mo. Forecast
0.7% Real GDP	▲	▲
6.7% Unemployment Rate (December 2021)	▼	▼
4.9% CPI	▲	▼
2.8% Retail Sales (Q3)	▲	▼

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

ECONOMY: Supply-Side Shortfalls and Rising Prices Take Over as the Main Themes of the Quarter

The end of the year was marked by rising prices resulting from supply-side shortfalls, which affected not only production but also the transport of goods. The acute shortage of components has reduced the production of the automotive industry by almost a third, which has a negative impact on exports and economic growth forecasts. According to the National Bank of Slovakia, the situation in chip imports should stabilize by the end of 2022, which would help exports and compensate producers for losses from previous periods. The situation is also aggravated by the shortage of skilled workers, but the reopening of the economy drives the growth of total employment. Accelerating price growth caused a decline in real household incomes at the end of the year, pushing consumers to use mainly their accumulated savings for spending. However, strong wage growth continues, especially in industry and services due to the need to attract new workers. The favourable development of the domestic part of the economy helped tax revenues. Bratislava's office-using industries should continue to provide a steady stream of well-paying jobs mainly from the tech sector. These high-wage jobs will have important downstream effects on local consumer-driven industries.

SUPPLY & DEMAND: 11 New Foreign Brands Opened Their Shops in 2021, Leasing Activity Rebounds

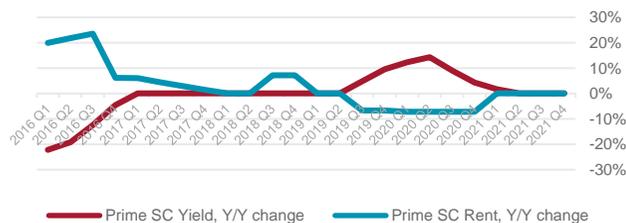
Despite the impact of the pandemic on the performance of shopping centres, new schemes have been opening across Slovakia. In September, the Eperia shopping centre was expanded by approximately 11,000 square metres, competing for Prešov consumers with Novum Prešov, which has been open since October 2020. 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 in the spring of 2023, 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 expected in the first half of 2022. Some projects in the planning phase face the problem of rising prices for building materials, which reduces their potential profitability.

Unclear communication from the Government about the reopening before Christmas led consumers to opt for online shopping. Tenants can no longer draw subsidies in the form of rent relief, and pandemic aid to businesses has been reduced as well. However, we record a bigger stability as the leasing activity rebounds. Slovakia retail market welcomed 11 new foreign brands, 8 of which opened in Bratislava and the rest in Novum Prešov.

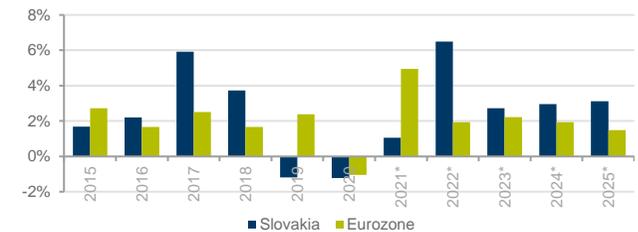
PRICING: Investors Take Advantage of Competitive Retail Yields

The main Bratislava shopping centres maintain a rather stable level of rents with individual agreements on eased 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 attention of investors, creating pressure on yields with prime retail park yield attacking 7.00% in the fourth quarter with the potential of further narrowing.

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	238	0		6.00%
Bratislava	677,000	576,800	929	35,900	€65.00	6.00%
Košice	802,000	183,000	273	16,000		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	270	-		6.00%
Žilina	691,000	165,400	347	38,400		6.25%
SLOVAKIA TOTAL	5,460,000	1,468,300	357	120,700	€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	2023	private investor
OC Madaras (extension)	Spišská Nová Ves	10,000	2022	IMBIZ

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