

SLOVAKIA

Retail Q1 2022



	YoY Chg	12-Mo. Forecast
€1,331 Average monthly wage	▲	▲
€65.00 Prime SC Rent, PSM	▬	▬
6.00% Prime SC Yield	▬	▬

Note: SC – shopping centre.
Average monthly wage relates to Q4.

ECONOMIC INDICATORS Q1 2022

	YoY Chg	12-Mo. Forecast
3.3% Real GDP	▲	▲
6.7% Unemployment Rate (March 2022)	▼	▼
9.4% CPI	▲	▼
13.1% Retail Sales	▲	▼

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

ECONOMY: Russo-Ukrainian War Further Aggravates Inflation and Supply Chain Continuity

The beginning of the year was marked by the Russian invasion of Ukraine which caused various obstacles to the Slovak economy. Not only did it push inflation up to double digits to 10.4% during March (ŠUSR), the highest in 17 years, but also the prices of the three most important items for Slovak households - food, housing, and energy - rose at a double-digit rate. It is mainly because Russia is the main exporter of gas to Slovakia, and together with Ukraine they account for nearly 30% of the global wheat trade. As Russia is also the main exporter of various types of metals essential for construction, the prices of new development projects are predicted to rise. The situation is also aggravated by the shortage of skilled workers. But with the arrival of over 340,000 refugees from Ukraine, this brings a significant amount of workforce suitable for the service sector or manufacturing as well as new potential customers mostly in the retail sector. According to ŠUSR, retail sales in Slovakia recorded 14.5% year-on-year growth in March, maintaining double-digit growth for the third month in a row. With the sanctions imposed on Russia and the outflow of companies from its territory, there are opportunities for companies to relocate to Central Europe, which would have a positive impact on the economy – lower unemployment associated with new jobs and therefore possible positive impact on GDP. According to the National Bank of Slovakia, GDP is predicted to grow in the range of 2-3% in the optimistic war scenario. This is assuming that the conflict will be resolved in the coming weeks. In a worse case, in which the war would last for a longer period, there is a risk that the growth of the Slovak economy will stop temporarily.

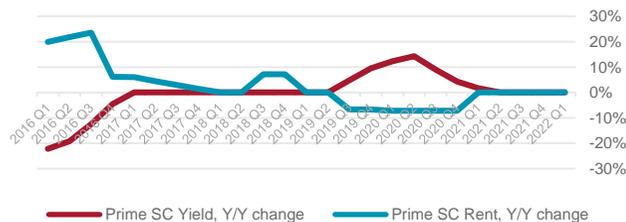
SUPPLY & DEMAND: Lifted Lockdown Measures Helped Boost Retail Sales

As the pandemic is slowly fading away, most of the COVID-19 restrictions were lifted. After two tough years for retail, which was hit the hardest of all sectors, the retail leasing activity partially returned and with it the surge in turnovers. By the end of March, some shopping centres even recorded an increase in footfall compared to the same pre-pandemic period. As in other sectors, the growth of construction costs and the length of delivery of construction materials in retail projects influenced the decision-making of developers on whether and when to complete them. We are seeing a slowdown in the construction of large-format shopping centres due to decreasing profitability of planned schemes and rising market saturation. On the opposite side, part of the retailers, which are dealing with new problems related to blocked goods for import from Russia, are suspending plans. The dynamic situation changes almost every week, but as an opportunity, we see the growing demand from the increased mobility of the population due to the end of the lockdown and the influx of refugees from neighbouring Ukraine. The total volume of retail space in Slovakia stands at about 1.4 million sq m, which means that there are roughly four inhabitants per square meter of retail. In the case of retail parks, we record a ratio of 10 inhabitants per square meter of area. The total volume of the planned retail area is up to 200,000 sq m with various completion dates.

PRICING: Rents Remain Stable Although Upward Pressure Mounts as Energy Prices Increase

The uncertainty associated with the conflict in Ukraine causes disruptions in delivery times and shortages of various materials or food commodities, resulting in an increase in their prices. Together with soaring prices of energy, total costs of retailers are rising, which threatens expansion plans and may push landlords to increase their rents. Despite all this, prime rent for shopping centres remains at 65 EUR/sq m/month, boosting the confidence of investors. In terms of prime yield, shopping centres remain at 6.00% with a stable near-term outlook. In the segment of retail parks and retail warehouse units, we are seeing stabilized prime yields at 7.00%.

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



RETAIL SALES INDEX (Y/Y CHANGE, %)





MARKET STATISTICS

REGION	POPULATION	SHOPPING CENTRE STOCK (SM)	SATURATION (SC+RP STOCK PER 1,000 INH)	SHOPPING CENTRE PIPELINE (SM)	PRIME RENT	PRIME YIELD
Banská Bystrica	621,000	83,300	134	0		6.00%
Bratislava	724,000	570,200	788	31,000	€65.00	6.00%
Košice	652,000	174,200	268	23,000		6.00%
Nitra	752,000	128,500	171	27,400		6.00%
Prešov	859,000	122,100	142	-		6.25%
Trenčín	574,000	68,800	120	-		6.25%
Trnava	565,000	91,300	161	-		6.00%
Žilina	690,000	160,400	233	34,000		6.25%
SLOVAKIA TOTAL	5,435,000	1,398,800	257	115,400	€65.00	6.00%

Only shopping centres above 5,000 sq m are included in the statistics.

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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