

SLOVAKIA

Retail Q4 2022

€1,296

Average monthly wage

YoY Chg



12-Mo. Forecast



€65.00

Prime SC Rent, PSM



6.25%

Prime SC Yield



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

ECONOMIC INDICATORS Q4 2022

1.0%

Real GDP

YoY Chg



12-Mo. Forecast



5.9%

Unemployment Rate
(December 2022)



15.4 %

CPI



-4.5%

Retail Sales



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

ECONOMY: Stabilized Energy Prices, Peaked Inflation and Increase in Yields

A solid rebound of the local economy after the elimination of pandemic restrictions in 2022 was slowed down by an increase in energy prices connected with the conflict in Ukraine. Despite many negative factors, the last quarter showed that the economy is more resilient than predicted and the economy should grow by 1.8% in 2022. Energy prices have stabilized, and the sales of firms continue to rise although increasing costs are impacting many tenants, especially from retail sector who have already struggled before. Furthermore, rising input costs and weakening global demand are behind pessimism in the corporate sector. Although inflation reached a record high level of 12.8% in 2022, its growth has already peaked in both the Eurozone and Slovakia, indicating a progressive decline in 2023. To further tame inflation, European Central Bank hiked interest rates to 2.5% in December. Additionally, the Slovak government's measures to cap energy prices for businesses and households should also contribute to reducing inflation and positively impacting purchasing power that would be otherwise impacted heavily by rising costs. Nonetheless, labour market remains resilient and unemployment keeps falling to 5.9% as of December.

SUPPLY & DEMAND: Strong New Supply Dominated by Retail Parks

Overall retail park projects dominate both this year's new supply and future retail development with limited space for larger retail schemes due to high saturation. In the fourth quarter we saw several completions - one shopping centre Siko in Košice, brand new retail parks in Nitra, Kysucké Nové Mesto and Zvolen as well as 2 extensions of existing retail parks in Trnava and Zvolen. Thus more than 34,000 sq m of retail space was added to stock in Q4 and 2022's new supply accumulated to 66,700 sq m. Higher saturation, mostly in regional cities, is shifting developers' focus from shopping centres to retail parks, in particular to less saturated (mostly smaller) cities. It is backed by future development figures as total retail area, which has planned delivery latest by the end of 2024, amounted to 127,000 sq m and consists mainly of retail parks – 13 out of 18 buildings. Vacancy in prime schemes in Bratislava and around Slovakia stands below 5%. On the other hand, less-performing schemes are more and more vacant, deepening a gap between prime and non-prime retail establishments. Furthermore, retail operations that depend mostly on office footfall continue to struggle.

PRICING: Rent Increase Offset by Growth in Service Charges

Overall turnovers, footfall and consumer sentiment remained more or less unchanged this year and also in the last quarter compared to an average of pre-covid years even despite the conflict in Ukraine. Although energy prices increased substantially and therefore overall rents rose, only a minority of retailers were forced to close in 2022, mainly in food&beverages sector. However, rising service charges in combination with lower purchasing power caused by inflation should impact retailers in the year to come. Prime rents remained unchanged throughout the whole year for both shopping centers and retail parks at 65 EUR/sq m/month and 9.5 EUR/sq m/month respectively. Rising financing costs have increased yields in prime shopping centres to 6.25% for prime shopping centres whereas stayed unchanged for well-established retail parks at 7.00%. Although rising yields are partially offset by high indexation of rents and the increase in market rents, further growth of yields is expected.

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



RETAIL SALES INDEX (Y/Y CHANGE, %)





MARKET STATISTICS

REGION	POPULATION	SHOPPING CENTRE STOCK (SM)	SATURATION (SC STOCK PER 1,000 INH)	SHOPPING CENTRE PIPELINE (SM)	PRIME RENT	PRIME YIELD
Banská Bystrica	621,000	76,300	123	-		6.25%
Bratislava	724,000	601,800	831	25,000	€65.00	6.25%
Košice	780,000	204,700	262	10,000		6.25%
Nitra	673,000	154,500	230	-		6.25%
Prešov	807,000	122,100	151	-		6.25%
Trenčín	574,000	68,800	120	-		6.25%
Trnava	565,000	91,300	162	-		6.25%
Žilina	690,000	160,400	232	-		6.25%
SLOVAKIA TOTAL	5,435,000	1,480,000	272	35,000	€65.00	6.25%

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

KEY PIPELINE PROJECTS

PROPERTY	MUNICIPALITY	PLANNED RETAIL GLA	EXPECTED OPENING	INVESTOR
Eurovea II	Bratislava	25,000	2023	private investor
OC Madaras (extension)	Spišská Nová Ves	10,000	2022	IMBIZ
OC Island	Trnava	7,800	2023	Ismont
NC Sabinov	Sabinov	7,500	2023	InterCora

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