

CZECH REPUBLIC Retail Market Snapshot

First Quarter | 2018



MARKET INDICATORS

Market Outlook

Prime Rents:	Prime rents continue to grow on high street and in shopping centres.	▶
Prime Yields:	Prime yields remain stable.	▶
Supply:	New supply will be limited with few SC extensions and new retail parks in the regions.	▶
Demand:	Prime retail locations continue to attract new tenants in all segments of the market.	▶

Prime Retail Rents – March 2018

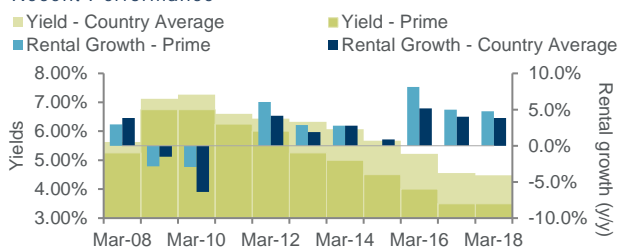
	€		US\$	GROWTH %	
	SQ.M MTH	SQ.M YR	SQ.FT YR	1YR	5YR CAGR
HIGH STREET SHOPS					
Prague (Na Příkopě)	220	2,640	307	4.8	4.1
Brno (Svobody Sq.)	70	840	98	0.0	0.0
SHOPPING CENTRES					
Prague	160	1,920	223	21.2	4.4
Brno	55	660	77	10.0	3.2
OUT OF TOWN RETAIL (RETAIL PARKS)					
Prague	10.50	126	14.6	2.4	1.0
Brno	9.00	108	12.5	2.9	1.8

Prime Retail Yields – March 2018

	CURRENT	LAST	LAST	10 YEAR	
	Q	Q	Y	HIGH	LOW
HIGH STREET SHOPS (FIGURES ARE GROSS, %)					
Prague (Na Příkopě)	3.50	3.50	3.50	7.00	3.50
Brno (Svobody Sq.)	6.75	6.75	7.00	8.50	6.50
SHOPPING CENTRES (FIGURES ARE GROSS, %)					
Prague	4.25	4.25	4.25	6.75	4.25
RETAIL PARKS (FIGURES ARE GROSS, %)					
Prague	6.00	6.00	6.50	8.25	6.00
Brno	6.75	6.75	7.00	9.00	6.75

With respect to the yield data provided, in light of the changing nature of the market and the costs implicit in any transaction, such as financing, these are very much a guide only to indicate the approximate trend and direction of prime initial yield levels and should not be used as a comparable for any particular property or transaction without regard to the specifics of the property.

Recent Performance



Overview

The Czech economy entered 2018 with a strong momentum: record low unemployment, low interest rates and high private consumption, which has been growing faster than in the Western Europe. Footfalls in shopping centres keep increasing as well as turnovers, which grew y/y by 10%.

Occupier focus

New retailers entered the Czech market last year (i.e. IQOS, Zara Home, Philipp Plein, Oysho, Boax Avenue, Vapiano or Pizza Hut) and the trend is going to continue in 2018. Prime rents continue to grow on high street (Na Příkopě, Pařížská, Václavské náměstí) and in shopping centres.

The rising purchasing power of the consumers increase the importance of F&B sector as well as focus on leisure retail and hospitality. The traditional retail interconnects with e-commerce, while the retailers might orientate on less stores but better quality of their space. At the same time, retail at transportation hubs is developing fast.

Opening of Prague The Style Outlets with 20,000 sq m retail area is anticipated next quarter. Several extensions of existing schemes (SC Géčko in Ostrava, Galerie Butovice, Brno Retail Park) are planned later in the year and the retail stock should grow by another 70,000 sq m in the regions with completion of new retail parks. There are also few new projects with planned completion within the next 3–4 years: Savarin and OC Letná in Prague, Dornych in Brno, Americká in Pilsen and Fabrika in Zlín. All of these projects have unique features and have been developing in city centres.

Investment focus

Slowdown of investment activities has been anticipated this year after the two record years in 2016 and 2017. However several smaller retail transactions occurred during the first quarter: OC Šestka in Prague, Atrium Hradec Králové or Futurum Brno (mall part). Prime yields remain stable on a very low level.

Outlook

Prime shopping centres in central locations continue to attract new tenants, while the other need to adapt to the ongoing trends and focus on extension, refurbishment and revitalisation of the existing schemes.

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