

CZECH REPUBLIC Retail Market Snapshot

Third 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 focus on revitalisation of existing schemes.	▶
Demand:	Prime retail locations continue to attract new tenants in all segments of the market.	▶

Prime Retail Rents – September 2018

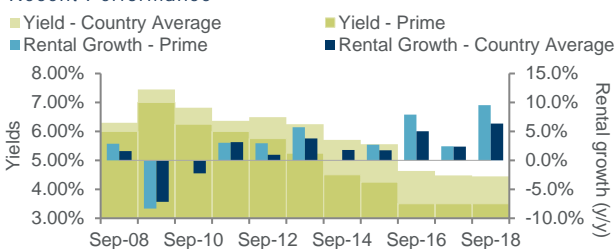
HIGH STREET SHOPS	€	€	US\$	GROWTH %	
	SQ.M MTH	SQ.M YR	SQ.FT YR	1YR	5YR CAGR
Prague (Na Příkopě)	230	2,760	299	9.5	4.5
Brno (Svobody Sq.)	70	840	91	0.0	0.0
SHOPPING CENTRES	€	€	US\$	GROWTH %	
	SQ.M MTH	SQ.M YR	SQ.FT YR	1YR	5YR CAGR
Prague	170.00	2,040	221.3	17.2	5.5
OUT OF TOWN RETAIL (RETAIL PARKS)	€	€	US\$	Growth %	
	SQ.M MTH	SQ.M YR	SQ.FT YR	1YR	5YR CAGR
Prague	10.50	126	13.7	0.0	1.0
Brno	9.00	108	11.7	0.0	1.8

Prime Retail Yields – September 2018

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

Private consumption, boosted by a continuous real wage growth and low unemployment, remained the major factor of economic growth in the Czech Republic in the last quarter. Overall, the GDP growth is forecasted at 3.0% in 2018, which is well above the EU average. Czech Republic is also still very attractive for tourists as Prague is the 5th most visited City in Europe.

Occupier focus

Strong retailers are becoming very selective: they demand spaces in dominant schemes and prefer fewer but higher quality stores. With a growing footfall and customer spending, Prague's high street presents an opportunity for new international brands to open their "statement" brand stores there. On the other hand, this in turn affects the prime rent, which continues to grow.

Czech retail market becomes saturated and shopping centres fight for customers, which forces them to differentiate from the competition: refurbishments, change of tenant mix or centres' repositioning takes place more often. E-commerce is growing, but still struggles with the right logistic solutions, therefore having only a small impact so far.

Development is focused on former heritage sites, which lost their original purpose and can be redeveloped to mixed-use projects benefiting from rich history, architecture and uniqueness of the location: Savarin in Prague or Fabrika in Zlin. Other developments focus on major transportation hubs in city centres: Dornych in Brno or Americka in Pilsen.

Investment focus

After few large transactions in previous 12 months, investors' interest in major shopping centres has declined, while convenient shopping schemes seem to be sustainable investment opportunities. Thus, there is still some space for yield to decrease in this segment of the retail market.

Outlook

Czech retail market prospects still look positive: growing both on high street and in shopping centres, with all major schemes experiencing footfall increases. High street keeps expanding further from its traditional locations, while new concepts are emerging (Manifesto, IKEA pop-up store).

This report has been produced by Cushman & Wakefield LLP for use by those with an interest in commercial property solely for information purposes. It is not intended to be a complete description of the markets or developments to which it refers. The report uses information obtained from public sources which Cushman & Wakefield LLP believe to be reliable, but we have not verified such information and cannot guarantee that it is accurate and complete. No warranty or representation, express or implied, is made as to the accuracy or completeness of any of the information contained herein and Cushman & Wakefield LLP shall not be liable to any reader of this report or any third party in any way whatsoever. All expressions of opinion are subject to change. Our prior written consent is required before this report can be reproduced in whole or in part. ©2018 Cushman & Wakefield LLP. All rights reserved.

Marie Baláčová

Head of Research CZ & SK
Quadrio Offices
Purkyňova 3, 110 00 Praha 1, Czech Republic
Tel: +420 234 603 850
marie.balacova@cushwake.com
cushmanwakefield.cz