

CZECH REPUBLIC Retail Market Snapshot

Fourth Quarter | 2017



MARKET INDICATORS

Market Outlook

- Prime Rents: After the growth in the second half of 2017, prime rents will remain stable in the following quarter. ▶
- Prime Yields: No significant change in prime yields is expected at the beginning of 2018. ▶
- Supply: Two new factory outlet centres should be opened, but supply will be limited in 2018. ▶
- Demand: Areas in prime shopping centres remain highly demanded by tenants. ▶

Prime Retail Rents - December 2017

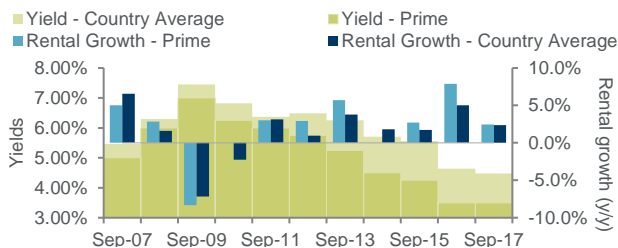
HIGH STREET SHOPS	€	€	US\$	GROWTH %	
	SQ.M MTH	SQ.M YR	SQ.FT YR	1YR	5YR CAGR
Prague (Na Příkopě)	215	2,580	288	4.9	4.2
Brno (Svobody Sq.)	70	840	94	0.0	0.0
SHOPPING CENTRES	€	€	US\$	GROWTH %	
	SQ.M MTH	SQ.M YR	SQ.FT YR	1YR	5YR CAGR
Prague	160	1,920	214	23.1	4.6
Brno	60	720	80	20.0	n/a
OUT OF TOWN RETAIL (RETAIL PARKS)	€	€	US\$	Growth %	
	SQ.M MTH	SQ.M YR	SQ.FT YR	1YR	5YR CAGR
Prague	9.75	117	13	2.6	-0.1
Brno	9.00	96	11	6.7	0.0

Prime Retail Yields - December 2017

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	7.25	8.50	6.50
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	6.50	8.25	6.00
Brno	6.75	6.75	7.25	9.00	6.40

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

GDP growth reached 4.5% in 2017 supported by a robust household consumption and low inflation that influenced a positive development of all the indicators in the retail market in 2017. Market confidence should remain strong with continuously growing consumer expenditure and increasing wages both in the public and private sector.

Occupier focus

Areas in prime shopping centres remain very attractive to new tenants. More than 30 new brands entered the Czech market in 2017, many of them in the newly opened extensions of successful shopping centres (Centrum Chodov, IGY Centrum České Budějovice), at prime high street locations and in Quadrio in downtown Prague. The flourishing economy attracted premium brands such as Tezyo, Tous, Zara Home, Thomas Szabo, Philipp Plein, Oysho, Karl Lagerfeld, Huawei, Armani Exchange, AW Lab, Palmers, Boax Avenue, Kazar, Vapiano or Pizza Hut.

Although no new shopping centres are planned to be opened in 2018, one existing centre will be extended (SC Géčko in Ostrava). Openings of two new factory outlet centres, The Prague Style Outlet and Outlet Arena Moravia, are anticipated later in the year. In the following 3–4 years, high development activity should return with the completion of several large projects.

Investment focus

The last quarter of 2017 continued with several large transactions in Prague's retail market: Metropole Zličín, Van Graaf, Avion Shopping Park, City Palais and OC Nový Smíchov. A few smaller projects have been sold in suburban regions. There is a direct relation between the quality and accessibility of a location and the interest of investors.

Outlook

Two major trends will dominate the construction of retail projects: new extensions and revitalization of the successful shopping centres on one hand and multi-functional schemes in the city centres on the other hand. Most of the proposals include socially oriented services and new technologies as well as completely new concepts. The high street in Prague remains very attractive as a market entry and its importance will grow. The F&B segment is growing as well.

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