

CZECH REPUBLIC Retail Market Snapshot

First Quarter | 2019



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 – March 2019

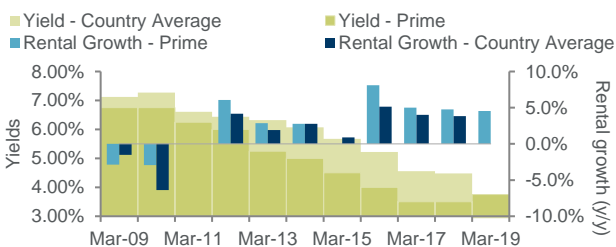
HIGH STREET SHOPS	€	€	US\$	GROWTH %	
	SQ.M MTH	SQ.M YR	SQ.FT YR	1YR	5YR CAGR
Prague (Na Příkopě)	230	2,760	290	4.5	4.5
Brno (Svobody Sq.)	70	840	88	0.0	0.0
SHOPPING CENTRES	€	€	US\$	GROWTH %	
	SQ.M MTH	SQ.M YR	SQ.FT YR	1YR	5YR CAGR
Prague	175.00	2,100	220.5	9.4	6.1
OUT OF TOWN RETAIL (RETAIL PARKS)	€	€	US\$	Growth %	
	SQ.M MTH	SQ.M YR	SQ.FT YR	1YR	5YR CAGR
Prague	10.50	126	13.2	0.0	1.2
Brno	9.00	108	11.3	0.0	2.1

Prime Retail Yields – March 2019

HIGH STREET SHOPS (FIGURES ARE GROSS, %)	CURRENT	LAST	LAST	10-YEAR	
	Q	Q	Y	HIGH	LOW
Prague (Na Příkopě)	3.75	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	4.50	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	6.50	6.75	6.75	9.00	6.50

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

Robust private consumption is supported by a tight labour market with unemployment standing at 2.8% and wage increases in public sector. GDP forecasts for 2019 have been lowered slightly to 2.5%. This trend is forecast to continue as the current market matures with the growth rate hovering around 2% in the coming years. The Czech Republic is nevertheless very attractive for tourists as Prague is the 5th most visited city in Europe.

Occupier focus

High Street are seeing the entry of more premium retailers and new international brands. This trend is demonstrated by the recent opening of the Czech Republic's first Under Armour store and the planned opening of Primark, also a new entrant into the Czech market.

E-commerce continues growing, despite of several Czech online stores have been struggling with financial problems and require re-structuralizing due to a recent enter of new online fashion stores. However, these e-commerce locations do continue to improve their logistics and will grow into a larger force.

Development is focused redevelopment and expansions of current centres or former heritage sites (Centrum Stromovka and VN47 in Prague, Šantovka in Olomouc) or building new smaller schemes in regional markets.

Investment focus

In contrast to 2018's large deal size, at the beginning 2019 investors were focusing on smaller deal sizes and schemes that are not as large as last year's shopping centres. We also see an increase in foreign investment continuing into 2019. Prime yields slightly sharpened for retail market in Prague after the longest sustained period of decreasing yields.

Outlook

Prospects of the Czech retail market still look positive. High street keeps expanding further from its traditional locations, while new concepts continue to emerge (Manifesto, IKEA pop-up store). While retail sales grew strongly in January and February, consumer confidence cooled markedly in March and fell to its lowest in 30 months, adding some downside risk to our 2019 consumption growth forecast of about 0.6% a quarter.

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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