

# CZECH REPUBLIC Retail Market Snapshot

Second 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 – June 2019

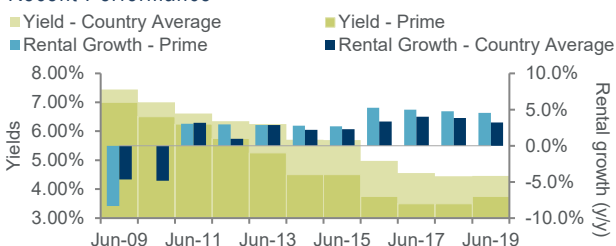
HIGH STREET SHOPS	€	€	US\$	GROWTH %	
	SQ.M MTH	SQ.M YR	SQ.FT YR	1YR	5YR CAGR
Prague (Na Příkopě)	230	2,760	310	4.5	4.5
Brno (Svobody Sq.)	70	840	94	0.0	0.0
SHOPPING CENTRES	€	€	US\$	GROWTH %	
	SQ.M MTH	SQ.M YR	SQ.FT YR	1YR	5YR CAGR
Prague	175.00	2,100	235.7	6.1	6.1
OUT OF TOWN RETAIL (RETAIL PARKS)	€	€	US\$	Growth %	
	SQ.M MTH	SQ.M YR	SQ.FT YR	1YR	5YR CAGR
Prague	10.50	126	14.1	0.0	1.5
Brno	9.00	108	12.1	0.0	2.6

### Prime Retail Yields – June 2019

HIGH STREET SHOPS (FIGURES ARE GROSS, %)	CURRENT	LAST	LAST	10-YEAR	
	Q	Q	Y	HIGH	LOW
Prague (Na Příkopě)	3.75	3.75	3.50	7.00	3.50
Brno (Svobody Sq.)	6.25	6.75	6.75	8.50	6.25
SHOPPING CENTRES (FIGURES ARE GROSS, %)	CURRENT	LAST	LAST	10-YEAR	
	Q	Q	Y	HIGH	LOW
Prague	4.50	4.50	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	6.50	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

Investment and exports fell in Q1, but these were offset by the strongest quarterly rise in consumption in almost two years. This reflects an economy with an extremely tight labour market, strong real wage growth and buoyant domestic demand, but also a heavy dependence on external demand. Private consumption is expected to grow by 2.9% this year, but the recent wage growth will slow down. Retail sales grew by 4.9% in 2018, exceeding Eurozone average, on the other hand, more than 11% of the total sales came from e-commerce retailers.

## Occupier focus

About 30 new brands entered the Czech retail market in 2018, which demonstrates the continuous attractiveness of the Czech Republic for international retailers, especially at the clothing and F&B sectors. While development in the shopping centres remains limited and focuses on refurbishments (more than a third of all shopping centres in the Czech Republic is older than 12 years and yet not refurbished), the Czech Republic remains the largest retail park market in Central and Eastern Europe.

13 new retail parks with total size of about 52,000 sq m were completed in 2018, compared to 18 opened projects with the total area of 47,000 sq m in the previous year. There is increasing demand for local small retail park schemes serving only their primary town or the closest regional catchment. Demand for retail park space is supported by newcomers, increasing interest from F&B and leisure operators, value retailers and e-commerce operators.

## Investment focus

Liquidity of the retail market has become very limited in larger and prime assets due to a negative sentiment in the Western Europe. While high street and shopping centre market is currently in limbo, market activity grows within lot sizes accessible for local capital as well as retail parks segment.

## Outlook

In the Czech Republic, the market is approaching maturity and its remaining potential is in mixed-use developments, downtown and public transport hub sites.

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