

CZECH REPUBLIC Retail Market Snapshot

Fourth Quarter | 2018



MARKET INDICATORS

Market Outlook

- Prime Rents: Prime rents should remain stable both in the high street and shopping centres. ▶
- Prime Yields: With more difficult situation on the retail investment market, prime yields may start rising. ▼
- 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 – December 2018

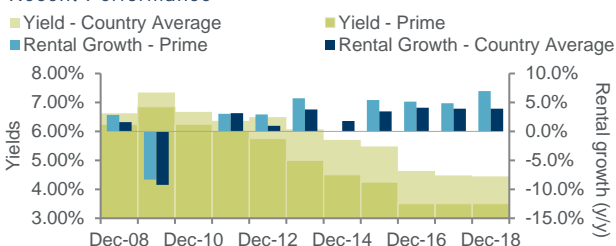
	€		US\$		GROWTH %	
	SQ.M MTH	SQ.M YR	SQ.FT YR	1YR	5YR CAGR	
HIGH STREET SHOPS						
Prague (Na Příkopě)	230	2,760	292	7.0	4.5	
Brno (Svobody Sq.)	70	840	89	0.0	0.0	
SHOPPING CENTRES						
Prague	170.00	2,040	216.1	6.3	5.5	
OUT OF TOWN RETAIL (RETAIL PARKS)						
Prague	10.50	126	13.3	0.0	1.0	
Brno	9.00	108	11.4	0.0	1.8	

Prime Retail Yields – December 2018

	CURRENT		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	6.75	8.50	6.75	
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	6.00	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

Robust private consumption is supported by a tight labour market with unemployment standing at 3.1% and wage increases in public sector. Economic growth will keep its momentum in 2019, forecast at 2.8%; however, a minor slowdown to 2.6% is expected for consecutive years. The Czech Republic is nevertheless very attractive for tourists as Prague is the 5th most visited city in Europe.

Occupier focus

There is a continuously strong demand for unique locations as retailers do not wish to make compromises. The country keeps its position as an attractive destination for new brands: up to 18 newcomers are planned to enter the Czech market in 2019.

Prague is one of the most important tourist hubs in Europe, which promotes the demand for new F&B concepts. The very first food hall in the Czech Republic is expected to open within the development of Savarin, a unique project in Wenceslas square at the heart of Prague. It will also be the first food hall of Time Out Market in the CEE region.

Some significant reconstructions in Prague city centre are in the pipeline, including Náměstí Republiky 7, My Národní and VN 47. This will provide a unique opportunity for retailers struggling to get to the city centre or in need of more representative space. The remodelling works of My Národní department store would start in 2019, with 10,000 sq m to be added to the SC stock. There are mixed-use projects in regional city centres as well: Ameside in Pilsen, Dornych in Brno and Fabrika in Zlín.

Investment focus

Several major transactions in 2018 showed an unprecedented demand from local investors. Developments focusing on expanding and refurbishing existing schemes may well become investment opportunities. Convenient schemes of smaller lot size are on the rise.

Outlook

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

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