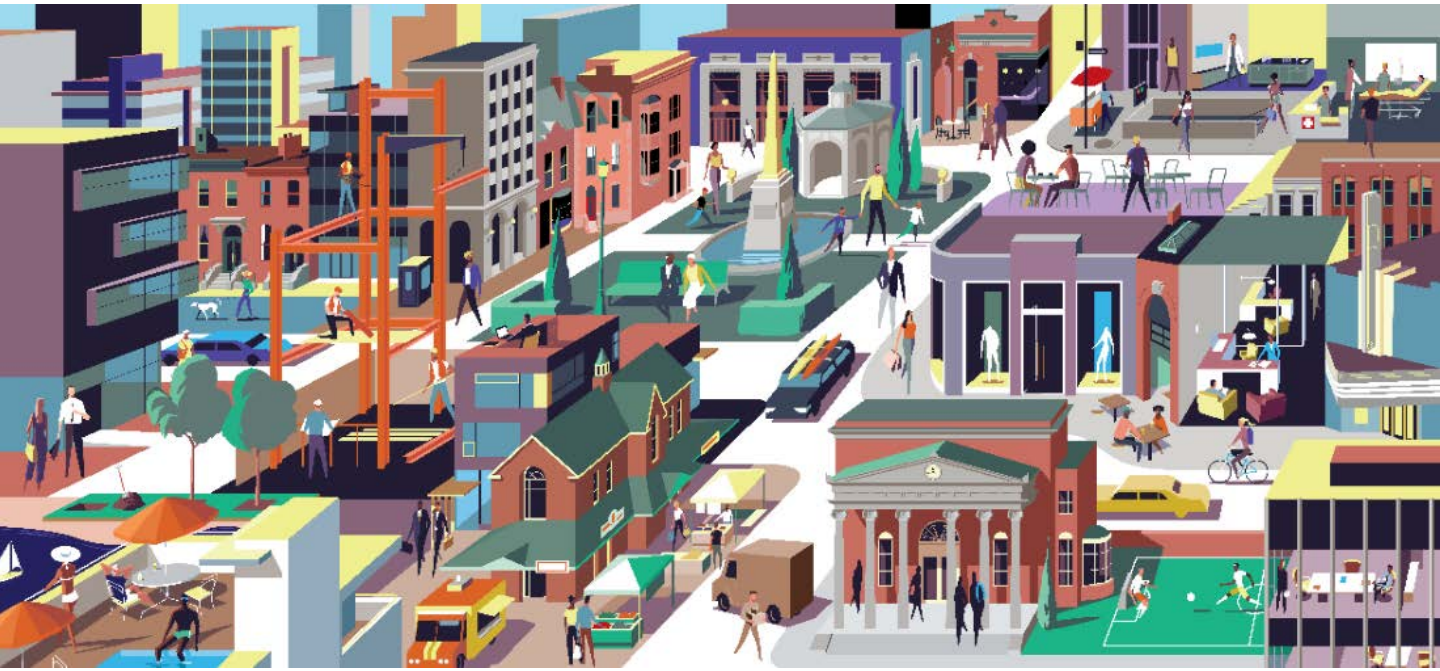


# Avisource

## Q1 2021

### Czech Republic

Retail  
market  
tracker



## Highlights

- In Q1 2021, total lettable retail area reached 3.8 million sq m as 6,600 sq m of retail space was delivered to the market via OC Spektrum project in Průhonice.
- A total of 71,050 sq m were under construction and refurbishment in six projects all of which are planned to open in 2021.
- Prime high street rents slightly decreased to 210 - 215 EUR per sq m per month. Prime shopping center rent remains around 140 EUR per sq m per month.



TOTAL RETAIL STOCK

**3.8 m sq m**



NEW SUPPLY Q1 2021

**6,600 sq m**



RETAIL SPACE UNDER CONSTRUCTION  
AND REFRUBISHMENT

**71,050 sq m**

## Retail market overview

During the first quarter of 2021 the retail market continued to be affected by anti-coronavirus measures. As state restrictions eased we saw the opening of specific retailers, however, the majority of non-food stores could not trade at all or only to a limited extent.

Total lettable retail area increased by 6,600 sq m to reach 3.8 million sq m. The additional retail area was delivered in OC Spektrum in Průhonice. The strip mall opened to the public at the end of March offering more than 20 new stores; its name will be familiar to residents of Prague and Průhonice as the new project stands on the site of the Spektrum shopping center which was demolished in 2018.

In the regions, Olympia Teplice's reconstruction was completed after almost three years. The extensive reconstruction at Futurum shopping center in Brno is also nearing completion, this will add 3,000 sq m of lettable area to the project.

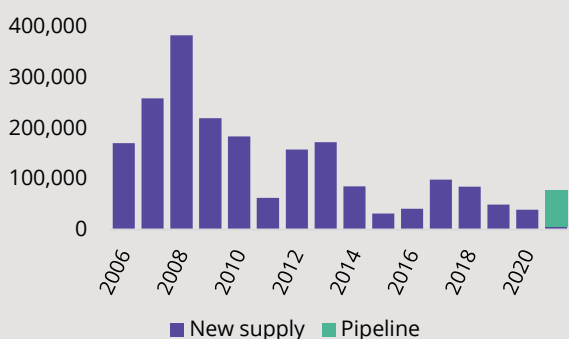
In terms of future supply a total of 71,050 sq m is under construction in six projects. These are Bořislavka Centrum Prague (9,000 sq m), phase 1 of Aventin shopping park in Jihlava (26,000 sq m), S1 Center Plzeň (12,700 sq m), phase 2 and 3 of Retail Park Ovčáry (2,850 m<sup>2</sup>), the reconstruction of OC Řepy Prague (14,500 sq m) and the flagship store of Primark (6,000 sq m) on Prague's Wenceslas Square, which has already been completed but it's opening postponed.

The pandemic has hit the high street and the shopping centre tenants hardest, with a number of fashion brands leaving Czech market or reducing the number of their stores. Despite the current retail crisis, 25 new brands entered the Czech market in 2020, mostly in the fashion sector. In 2021, more brands are expected as some have committed to new leases but chosen to postpone opening stores due to coronavirus restrictions.

If there is a winner in the Covid-crisis it must be the E-commerce sector. According to the APEK association, turnover of Czech e-shops increased by 26% year-on-year in 2020. In the first quarter of 2021, turnovers reached 37 billion crowns, an increase of 76% compared to the same period in 2020 (according to an analysis by Shoptet).

### Annual retail supply

sq m



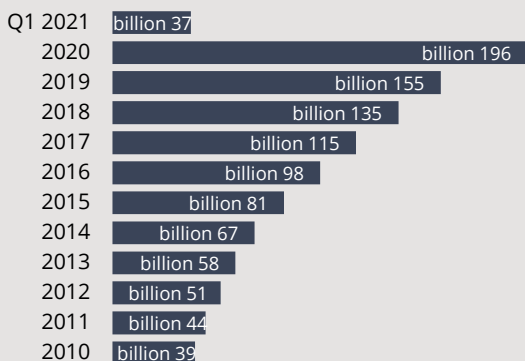
Source: Avison Young

### Rents

Shopping center tenants are naturally pushing for rent reductions in this climate, but landlords are generally only providing short-term discounts. Slight rent decreases have been recorded on Prague's high streets, which were affected not only by government restrictions, but also by the decline in tourism. The long-term impact upon retail rents is not yet known.

### E-commerce turnover

billion CZK



Source: APEK, Shoptet

### Prime yields



**5.50%**

SHOPPING CENTRES



**4.25%**

HIGH STREET

### Prime high street rents



**210 – 215 EUR**

sq m/month

### Prime shopping centre rents

**140 EUR**

sq m /month

### Retail market news

- Electro World network operator, the NAY group, has acquired the "K + B Expert" electronics stores network, thus doubling the number of its stores. In addition to the original 19 stores, another 20 were added, 16 of which are in new locations. The branches of the K + B Expert network are now undergoing a gradual rebranding process.
- German sportswear and footwear manufacturer Adidas decided to sell its American brand Reebok after failing to use the brand to mount a considerable attack on Nike's sports apparel dominance.
- Another Czech clothing retailer is heading towards insolvency. The leather goods manufacturer and retailer Kara Trutnov has filed for insolvency stating it has been negatively affected by anti-coronavirus restrictions and can no longer meet its liabilities.

## Investment

In the first quarter of 2021, the impact of the Covid pandemic on the investment market was still evident, with dampened investment volumes and transactions highly limited in the retail sector. This has resulted in a marginal increase in reported prime yields within shopping centers and on the high street.

There has been an increase in demand in retail parks, which, unlike shopping centres, have shown greater resilience during the pandemic.

## Economic overview

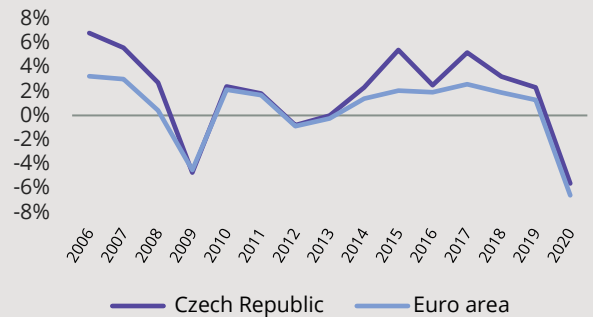
- The first quarter of 2021 was again affected by the Covid-19 pandemic. The strictest coronavirus measures to date have come into force since the beginning of March 2021, including limited movement of persons between districts.
- According to the Czech Statistical Office, the Gross Domestic Product (GDP) fell by 5.6% in real terms in 2020, which was the deepest decline in the history of the independent Czech Republic.
- At its meeting on 24 March 2021, the Board of the Czech National Bank kept interest rates at the current level. The basic interest rate thus remains at 0.25 percent. It is not anticipated that we will see any increases in the base rate until Q3 at the earliest.
- In 2020, CPI reached 3.2%. In March 2021, it was 2.8%. For the full year 2021 the average CPI is forecast to be 2.5%.
- The Czech currency remained sensitive to the domestic development of the pandemic. The koruna has been falling steadily since mid-February this year, when it was at its strongest since the onset of the pandemic, sitting below 26 CZK/EUR. Subsequently, however, the trend reversed due to the deteriorating epidemiological situation. For most of March 2021 the koruna remained close to 26.15 CZK/EUR compressing again towards the end of the month to 26.05 CZK/EUR. At the date of release of this report the CZK/EUR exchange rate stood at 25.50:1.
- The unemployment rate reached 3.4% in March 2021. The unemployment rate is expected to rise in the coming months. However, government employment measures should further dampen sharper escalation of unemployment.
- In March 2021, seasonally adjusted retail sales decreased by 1.6%, month-on-month. In Q1 2021, retail sales adjusted for calendar effects decreased in real terms (at constant prices) by 1.3%, y-o-y; non-adjusted sales decreased by 2.6%.

Ryan Wray, Principal Czech Republic

*„The retail market has always been the most highly nuanced of traditional real estate sectors. We haven't seen transactional evidence to prove a major drop off in rental rates or yields, but anecdotally we know there is growing concern and caution among occupiers and investors alike.“*

### GDP (at constant prices 2015)

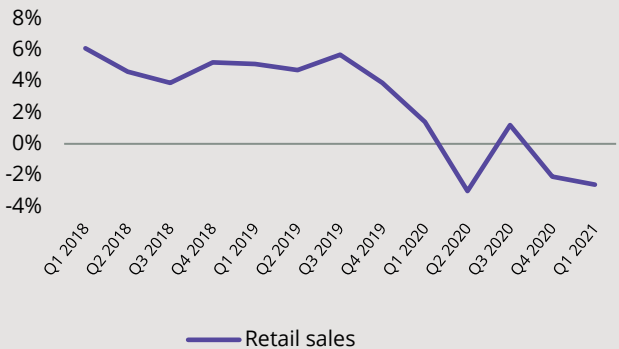
%, y/y



Source: CSU, Avison Young

### Retail sales

%, y/y



Source: CSU

## Contact us

### Lukáš Kalina

Director Capital Markets  
lukas.ka+420 739 630 207  
lina@avisonyoung.com

### Pavla Kubíková

Senior Consultant  
Research & Consulting  
+420 604 272 796  
pavla.kubikova@avisonyoung.com

### Ryan Wray MRICS

Principal Czech Republic  
+420 725 816 176  
ryan.wray@avisonyoung.com

### Brent Watkins

Business Development Director  
Czech Republic  
+420 602 186 369  
brent.watkins@avisonyoung.com

### Louise Wray MRICS

Associate Director, RICS Valuation  
+420 725 469 009  
louise.wray@avisonyoung.com

### Stefan de Goeij MRICS

Head of Property Management  
Czech Republic  
+420 775 637 556  
stefan.degoeij@avisonyoung.com

HubHub (7th floor)  
Palác ARA  
Perlová 5  
110 00, Prague 1  
Czech Republic

**AVISON  
YOUNG**