

MARKETBEAT

# CENTRAL EUROPE

Retail Q2 2023



# CONTENTS

CEE Summary

---

Bulgaria

---

Czech Republic

---

Hungary

---

Poland

---

Romania

---

Slovakia





# CENTRAL EUROPE

Economy Q2 2023



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## The economic growth outlook brightens across CEE

CEE economies are rebounding from the impacts of the shocks, mainly stemming from Russia's military aggression toward Ukraine. These shocks have caused additional disruptions in the supply chain and elevated energy prices, resulting in heightened inflation and reduced households' purchasing power.

Despite the challenges, the economies of the CEE countries showcased greater resilience than anticipated by leading think tanks in 2022. This resilience can be attributed to relatively strong consumer demand in most CEE countries due to lifted pandemic restrictions and Ukrainian refugee spending. Additionally, CEE countries maintained tight labour markets with low unemployment rates compared to the rest of the EU.

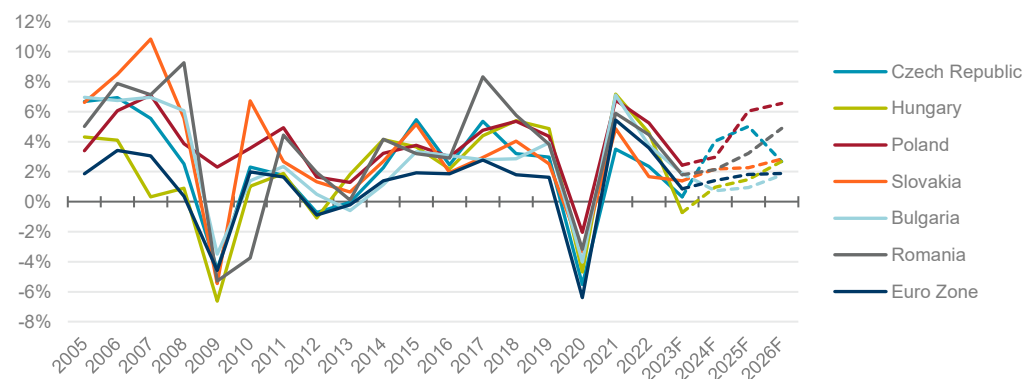
As of July 2023, according to Moody's Analytics projections, all CEE countries, except Hungary, are anticipated to demonstrate modest GDP growth in 2023, reflecting improved expectations compared to April. The region is still predicted to resume steady economic growth in 2024-2025.

CEE stands out with the highest inflation rates in the EU. Across all CEE countries, except for Hungary, the HICP is projected to decrease annually in 2023. Starting in 2024, inflation is expected to recede to single digits, providing additional relief to economies.

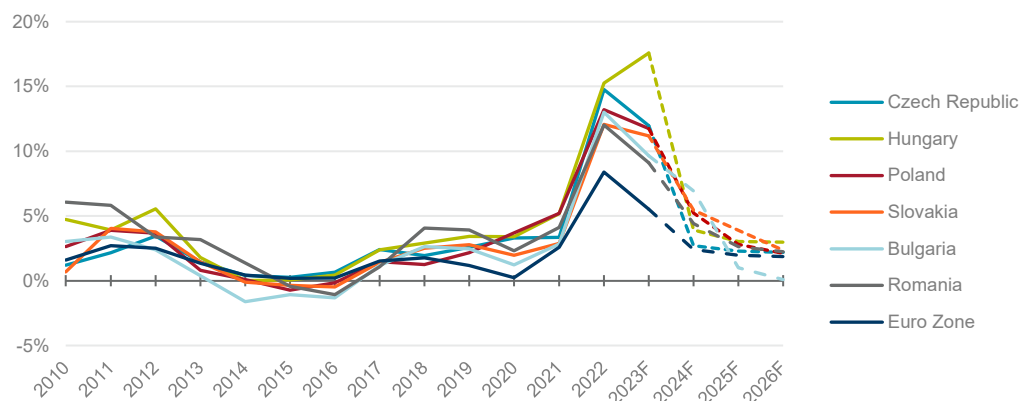
The tightening of financing conditions is expected to weigh on overall investment in CEE and the EU. Still, business investment is likely to grow but at a slower pace, while public investment will remain strong in 2023 and 2024 due to the continued deployment of the Recovery and Resilience Facility (RRF). As economic activity gradually normalises, investment growth is predicted to regain momentum.

During H1 2023, CEE saw the lowest H1 investment volumes in the property market in a decade as the region adjusts to the higher interest rate environment. Nevertheless, the retail property sector dominated with a share of around 36% of total investments in the traditional commercial property sectors across the region during the first six months of 2023.

## GDP GROWTH IN CEE COUNTRIES (y/y change)



## CONSUMER PRICE INDEX: EU Harmonized (Index 2015 = 100, SA, y/y change)



## CENTRAL EUROPE

Retail Q2 2023



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Despite the challenges of surging inflation in 2022 and H1 2023, which was the highest in the EU and impacted purchasing power and costs for retailers and developers, a positive **trend toward decreasing inflation** and enhanced domestic spending emerged across CEE in Q2 2023. Inflation will recede to single digits by 2024, providing additional relief.

Retail schemes have performed strongly, with **retail sales** meeting or surpassing pre-pandemic levels. While **shopping centre footfall** is generally lower, visitors now tend to visit retail schemes with specific intentions to buy and spend more.

A slowdown in **development activity** is evident in the CEE retail property sector, particularly within shopping centres. As of Q2 2023, around 1.3 million sq m is under construction in CEE-6, with 63% being retail parks.

Developers are prioritising the refurbishment and extension of existing shopping centres, along with the construction of new retail parks.

CEE countries consistently attract **new brands**, with at least 47 new market entries recorded in 2023 and more planned by year-end. Dynamic expansion is notable in discount non-food retailers, affordable clothing, sports stores, and F&B. Czechia and Poland remain the most attractive CEE markets for entry.

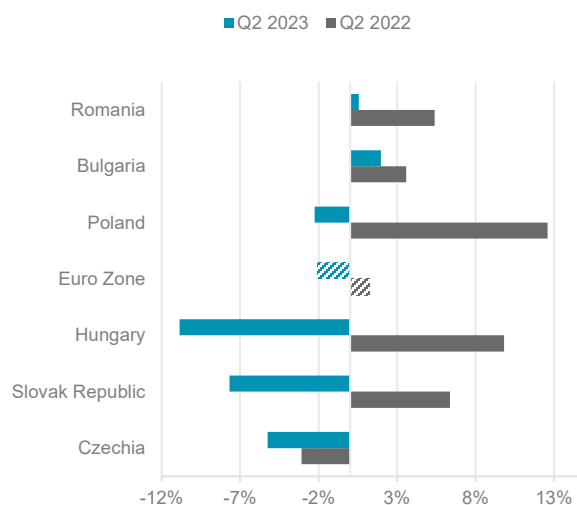
In Q2 2023, **prime rents** for high street retail space across CEE remained steady compared to the previous quarter, while they increased for retail parks and shopping centres in certain countries in the region.

Despite the slowdown, the retail property sector maintained its liquidity across CEE, representing 36% of **total commercial real estate investments** in H1 2023.

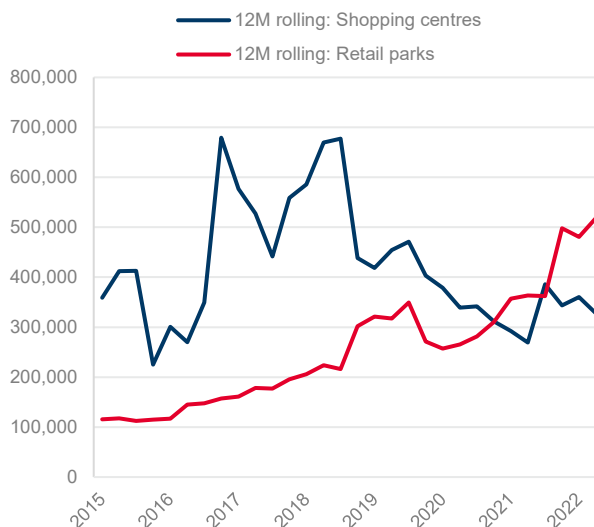
Key investment transactions encompass the sale of the TREI portfolio in Czechia and Slovakia, Atrium Palác Pardubice and a 25% share in Arkády Pankrác in Czechia, and the Atrium MOLO shopping centre in Poland.

In Q2 2023, **prime yields** in all CEE countries except Bulgaria softened on an annual basis for all categories of retail space. Compared to the previous quarter, high street prime yields increased by 25 basis points in all countries except Bulgaria. Additionally, upward corrections were observed over the quarter for shopping malls in Poland, Slovakia, and Romania, as well as for retail parks in Czechia and Slovakia. In the short term, prime retail yields could experience additional increases in select CEE countries.

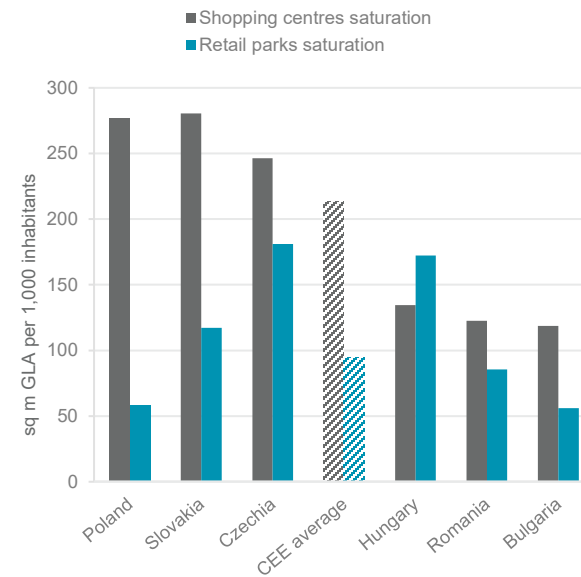
## RETAIL SALES INDEX (real, y/y change)



## NEW RETAIL SUPPLY IN CEE-6 (sq m)



## RETAIL MARKETS SATURATION (sq m/1000 inhabitants)



Note: Moody's Analytics for retail sales index and total population (August 2023 release)

# CENTRAL EUROPE

Retail Q2 2023

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## Bulgaria

- Retail development activity was limited to the retail park format, with 35,000 sq m delivered across two retail parks in Q2 2023, with an additional 60,000 sq m expected by the year-end and 180,000 sq m in the longer-term pipeline. Notably, no shopping centres are currently under construction in Bulgaria.
- Q2 2023 saw demand primarily propelled by expanding discount retailers, affordable clothing brands, and sports goods stores. New leases totalled nearly 60,000 sq m, with new retail parks contributing over 60% and existing shopping centres accounting for 34%.
- Asking monthly rents for retail space within Sofia's shopping centres held steady. The declining vacancy rate suggests potential for future upward movement, especially given the absence of new malls in the development pipeline.

## Czech Republic

- In Q2 2023, the only addition to Czechia's total retail stock was the 7,800 sq m retail park Blansko by Fuertes Development. Across the country, around 130,700 sq m of shopping centres are presently in the pipeline, with only about 10,000 sq m under construction in OD Máj in Prague. In total, 101,300 sq m of retail space is under construction in Czechia, with roughly 193,000 sq m within projects that have obtained planning permission.
- Demand has remained robust, with 19 new market entries registered in Czechia year-to-date.
- In H1 2023, shopping centres saw a 17% increase in turnover compared to 2019. Adjusted for inflation, the situation is less positive. Changed shopping patterns have led to about 11% lower footfall than pre-COVID.
- Prime rents for high streets and shopping centres have remained stable since Q4 2021, but they have risen by 23% for retail parks since then.

## Hungary

- With no new shopping malls opened since Q3 2021, development activity in the retail property market is mainly limited to retail parks. However, only 7,600 sq m were delivered within the retail parks in H1 2023, compared to a new supply of 20,000 sq m in 2022.
- Retail sales, as reported by HCSO, fell by 10.8% y/y from January to May 2023, as consumer behavior shifted due to the weakened economy. Notably, the high base effect from last year's tax rebate should be considered.
- Nonetheless, sports brands and non-food retailers like Tedi, KiK, Jysk, and Sinsay continue opening new stores. Newcomers Sports Vision and Jack&Jones opened in Westend, while Primark's flagship store is planned to open in Arena Mall by year-end.
- Prime rents held steady on a quarterly basis. Retail park and shopping centre sector rents saw year-on-year increases, while high street unit rents experienced a modest decline.

## Poland

- Poland's total retail stock stands at just over 16.1 million sq m. The market expanded by around 70,000 sq m in Q2 2023, including six new openings, two extensions of existing retail parks, and one redevelopment. This marked the second lowest quarterly result since 2015.
- As of June 2023, roughly 460,000 sq m of retail space was under construction, with 300,000 sq m set to open by year-end. Approximately 360,000 sq m are part of 37 new projects, including the dominant share within 30 retail parks. An additional 100,000 sq m will come from extensions and redevelopments.
- Q2 2023 saw more market entries, with 7 retailers debuting their shops, including two pure online retailers. All retail sectors witnessed year-over-year rental growth in Q2 2023, while prime retail parks also experienced a slight rent increase from the previous quarter.

## Romania

- In Q2 2023, Funshop Park Vaslui and Retail Park Dej were opened, totalling 17,000 sq m.
- The new supply was only around 30,000 sq m in H1 2023. Nevertheless, there are currently 260,000 sq m of retail spaces under construction within the projects set to open by year-end. If delivered, this will be the highest annual new supply in the retail property sector in Romania since 2008.
- Throughout Q1 and Q2 2023, prime rents remained unchanged across all retail space formats.

## Slovakia

- Eurovea expanded by 25,000 sq m in Q2 2023, now making it Slovakia's largest shopping centre. In addition, the ongoing 10,000 sq m extension at Aupark Bratislava is scheduled for completion in Q4 2023. The opening of these projects signifies a milestone in the development of Bratislava's large shopping centres, with no major projects planned for the near future.
- Contrarily, cities like Košice and Banská Bystrica, less saturated, offer potential for new retail parks and centres. In Q2 2023, OC Island, an 8,000 sq m retail park, opened in Trnava, while the retail park Pezinok underwent full refurbishment, with an additional 9 properties of 50,100 sq m being under construction.
- Leasing smaller to medium-sized retail units across Slovakia proves challenging. However, successful brand entries in Eastern Slovakia suggest this trend will persist with more newcomers.
- From 2020 onwards, prime rents remained unchanged across all retail space formats.



## CENTRAL EUROPE

Retail Q2 2023



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€ 0.77 B

Investment Volume H1 2023

- 53%

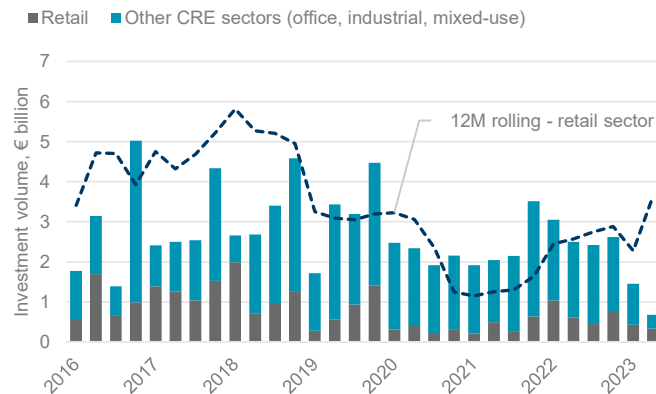
Change y/y

€ 1.65 B

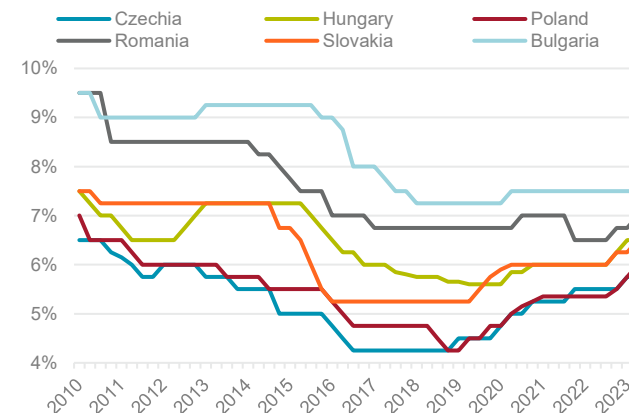
Investment Volume H1 2022

Data includes transactions of retail properties (excluding deals of less than €1 million total value) in Bulgaria, Czechia, Hungary, Poland, Romania, and Slovakia.

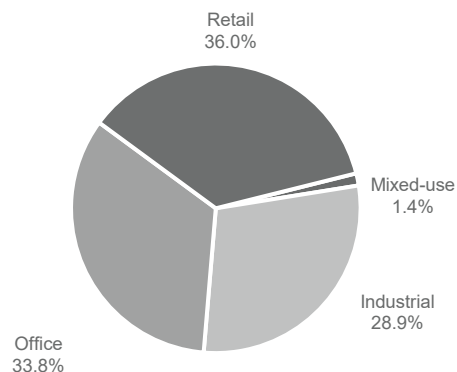
## INVESTMENT VOLUMES IN CEE (€ billion)



## PRIME SHOPPING CENTRE YIELD (%)



## INVESTMENT VOLUMES IN CEE, H1 2023



## Q2 2023

COUNTRY	SHOPPING CENTRES		RETAIL PARKS		HIGH STREET RETAIL	
	Prime rent, €/sqm/month	Prime yield, %	Prime rent, €/sqm/month	Prime yield, %	Prime rent, €/sqm/month	Prime yield, %
Bulgaria	€ 36.00	7.50%	€ 11.00	7.50%	€ 54.00	5.00%
Czech Republic	€ 142.00	5.75%	€ 13.50	6.00%	€ 225.00	5.50%
Poland	€ 130.00	6.00%	€ 13.00	7.15%	€ 75.00	6.00%
Hungary	€ 95.00	6.50%	€ 13.50	7.25%	€ 110.00	6.75%
Slovakia	€ 65.00	6.50%	€ 9.50	7.25%	€ 45.00	5.50%
Romania	€ 80.00	7.00%	€ 12.00	7.75%	€ 55.00	7.00%

Shade showing y-o-y trend: red – negative, green – positive, white – no change.

## CENTRAL EUROPE

Retail Q2 2023



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## MAJOR RETAIL MARKET ENTRIES YTD 2023 (selected)

Category of goods	Bulgaria	Czech Republic	Hungary	Poland	Romania	Slovakia
No. of entries registered	2 new brands	23 new brands	2 new brands	13 new brands	1 new brand	6 new brands
Fashion & footwear		      		  		 
Sports goods & fashion		  				
Food & Beverage		     		 		
Electronic appliances						
Health & Beauty						
Other	 	    		    		  

Notes: Retail market entries stand for new openings/reopenings of the store by retailers from abroad.

# CENTRAL EUROPE

Retail Q2 2023

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## KEY MARKET TRENDS

The retail real estate industry in CEE is undergoing transformation amid still high inflation, margin and cost pressure, and a challenging economic context. The shift towards 'click-and-mortar' remains a prominent trend. The retail property market players across CEE are adjusting their strategies, additionally considering the higher cost of capital. Despite all challenges and risks, however, quality retail schemes across various formats in CEE have maintained strong performance, with retail sales meeting or surpassing pre-pandemic levels. Though footfall in shopping centres is generally lower, customers now tend to visit shopping malls with specific intentions and spend more.

### E-commerce disrupted traditional retail, igniting irreversible changes

- Despite a slowdown in E-commerce growth in CEE since H2 2021, its impact on the retail industry has been significant in recent years.
- In the E-commerce era, property owners and retailers must adapt to the 'click-and-mortar' approach, which integrates the convenience of online technology with in-person shopping experiences. This necessitates sufficient agility from industry participants.

### Retailers are grappling with increased costs

- Increasing costs due to operational challenges and supply chain issues are affecting various aspects of the industry, encompassing transportation, manufacturing, and property-related expenses. The 2022 and Q1 2023 inflation surge has intensified these challenges, resulting in further cost escalation. Encouragingly, Q2 2023 has witnessed a favourable trend of diminishing inflation, with expectations of single-digit levels by 2024.
- Cost increases have been mismatched with achievable sales prices, as consumers' disposable income has been eroded by inflation. The resulting margin decrease has implications for retailers, affecting their expansion and innovation potential, the quality of goods traded, and interactions with other parties in the production and distribution cycle.
- Although food retailers and other essential commodities have been relatively less exposed, these segments have also noticed inflationary pressures.

### CEE embraces global trends while leveraging its unique local characteristics

- The retail property markets in CEE are not oversaturated, unlike in some other regions.
- In CEE, major shopping malls were developed in the past decade, and the older properties are being gradually renovated or reconstructed to meet current market requirements.
- Retail parks and retail warehouses have proven to be sustainable retail formats across CEE, with several landlords consolidating ownership and focusing on establishing long-term solid relationships with tenants.
- The most significant growth is observed in value retailers, including affordable clothing brands and other discount non-food retailers, sports goods stores and the F&B category.
- Luxury retailers also demonstrate resilience, with new market entries registered in Prague's Parizska Street during H1 2023 and more planned by the year-end, driven by the return of tourists.
- Despite a decrease in investment activity and volumes, the retail property sector in CEE retains its liquidity. Notably, most key deals recently reported in the retail industry across the region involved locally originated capital.

### The current circumstances necessitate all market participants to demonstrate agility and forward-thinking

- **Retailers** monitor their occupational strategies to identify cost-cutting measures and enhance efficiency. This includes evaluating the number and the format of stores based on geography considerations.
- **Landlords** in the sector strive to address the rising operational costs and the risk of vacancies in the properties. As many major shopping malls in CEE were constructed over five years ago, the ongoing transformation of the retail industry and property market emphasises the need to invest in improving existing retail properties. This entails reconstruction or refurbishment to enhance the general quality and attractiveness of the properties, as well as their operational and energy efficiency.



# CENTRAL EUROPE

Retail Q2 2023

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## KEY MARKET TRENDS

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### E-commerce disrupted traditional retail, igniting irreversible changes

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### Retailers are grappling with increased costs

- Rising costs resulting from operational challenges and supply chain issues are impacting various aspects of the industry, including transportation, manufacturing, and property-related expenses. The surge of inflation, reaching throughout CEE multidecade highs in late 2022 or early 2023, has exacerbated these challenges, leading to further cost increases.
- Costs increases have been mismatched with achievable sales prices, as consumers' disposable income has been eroded by inflation. The resulting decrease in margins has implications for retailers, affecting their expansion and innovation potential, the quality of goods traded, and interactions with other parties in the production and distribution cycle.
- Although food retailers and other essential commodities have been relatively less exposed, inflationary pressures are also noticeable in these segments.

### CEE embraces global trends while leveraging its unique local characteristics

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- Despite a decrease in investment activity, the retail property sector in CEE retains its liquidity. Notably, most key deals recently reported in the retail sector across the region involved locally originated capital.

### The current circumstances necessitate all market participants to demonstrate agility and forward-thinking

- **Retailers** keep an eye on their occupational strategies, aiming to identify cost-cutting measures and enhance efficiency. This includes evaluating the number and the format of stores based on geography considerations.
- **Landlords** in the sector strive to address the rising operational costs and the risk of vacancies in the properties. As a significant number of major shopping malls in CEE were constructed over 5 years ago, the ongoing transformation of the retail industry and property market emphasises the need to invest in the improvement of existing retail properties. This entails reconstruction or refurbishment to enhance the general quality and attractiveness of the properties, as well as their operational and energy efficiency.



# BULGARIA



## BULGARIA

Retail Q2 2023

€426\*

Real Disposable Income

YoY  
Chg.12-Mo.  
Forecast

€54.00

Prime Rent, sq m/month



5.00%

Prime Yield



Prime rent and yield for High Street units

\* Income of households per month per capita,  
Moody's AnalyticsECONOMIC INDICATORS  
Q2 2023YoY  
Chg.12-Mo.  
Forecast

2.1%

GDP\*\*



4.3%

Unemployment Rate



8.8%

HICP\*\*



2.0%

Retail Sales Volume  
Index\*\*

\*\* Annual growth estimates

Source: Moody's Analytics (August 2023 release)

## ECONOMY: On a positive trajectory

All things considered, halfway through 2023, Bulgaria's economy is performing quite well. Inflation, which had posed a significant challenge for most CEE countries, has receded to single digits, reaching 7.5% in June, which stood just above the Eurozone average of 5.5%. The key economic indicators for Q1 2023 all reflect positive trends. The number of unemployed individuals declined by 6% y/y, while the number of employed experienced a slight increase both nationally and in the capital city. Additionally, the country's GDP grew by 2.1% y/y, surpassing the EU average growth rate by more than double. Importantly, as of May 2023, the consumer confidence index reached its highest in two years, and the index of retail trade (at constant prices) indicated sales expansion in all but April of the first five months of 2023.

## SUPPLY AND DEMAND: Dynamic expansion of retail parks

Among shopping centers, outlet centers, and retail parks, development activity has been limited this year to the latter format. Two new retail parks were completed in the quarter, adding some 35,000 sq m of GLA to the total retail stock. The demand was primarily driven by the expanding businesses of discount retailers, affordable clothing brands, and sports goods stores. These formats are benefitting from growing household purchasing power, supported by relatively generous government wage and pension policies.

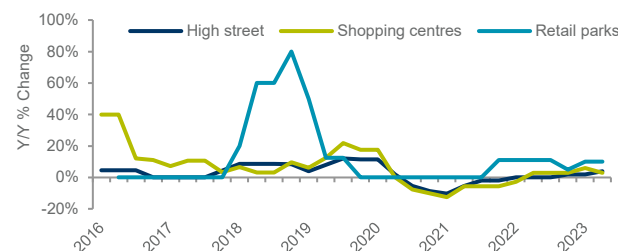
Lease activity during the quarter was robust. The total volume of new leases reached nearly 60,000 sq m, with over 60% of this provided by new retail parks and 34% by existing shopping centers. Despite optimization measures taken by fashion retailers, vacancy rates in shopping centers narrowed somewhat.

In the near term, overall lease activity is expected to remain strong, largely driven by retail parks. The opening of at least six new retail parks by year-end is anticipated, adding another commenced. 60,000 sq m of GLA to the total retail stock. Looking further ahead, the retail park pipeline remains robust with an additional 180,000 sq m GLA in development. On the shopping center front, activity will be limited to the existing stock, as the construction of the sole new project on the market, the mall Promenada in Plovdiv, has not yet commenced.

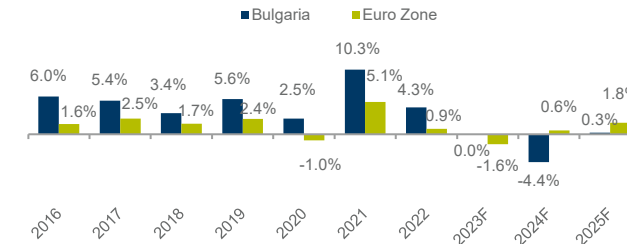
## PRICING: No changes

Asking monthly rents for retail space within Sofia's shopping centers held steady at €36 per sq m, showing potential for future upward movement due to decreasing vacancy. Prime yields in Sofia remained unchanged at 7.5%.

## PRIME RENT



## RETAIL SALES Y/Y GROWTH



Source: Moody's Analytics





## MARKET STATISTICS

SUBMARKET	SHOPPING CENTRE STOCK (SQ M)	SHOPPING CENTRE PIPELINE (SQ M)*	PRIME RENT (€/SQ M/MONTH)	PRIME YIELD
Sofia	402,270	-	€ 36.00	7.50%
Plovdiv	75,700	57,800	€ 24.00	8.00%
Varna	122,000	-	€ 25.00	8.00%
Burgas	62,500	-	€ 21.00	8.00%

\* Only projects with a building permit included

## KEY STORE OPENINGS Q2 2023

PROPERTY	SUBMARKET	TENANT	AREA (SQ M)	LEASE TYPE
Holiday Park Pernik	Pernik	Praktiker	10,120	New lease
Paradise Center	Sofia	Sinsay	3,534	New lease
Holiday Park Pazardjik	Pazardjik	LC Waikiki	1,700	New lease
Park Mall Stara Zagora	Stara Zagora	Tedi	830	New lease
Kardzhali Retail Park	Kardzhali	Arena	681	New lease
Mega Mall	Sofia	Numero Uno	365	New lease
Markovo Tepe	Plovdiv	District Shoes	234	New lease
Galleria Burgas	Burgas	Hristo Stoichkov	144	New lease
Delta Planet Varna	Varna	Geox	230	New lease
The Mall	Sofia	Ozon	116	New lease

\* Renewals not included in leasing statistics

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# CZECH REPUBLIC



## CZECH REPUBLIC

Retail Q2 2023



CUSHMAN &amp; WAKEFIELD

€762\*

Real Disposable Income

YoY  
Chg.12-Mo.  
Forecast

€225.00

Prime Rent, Sq m/month



5.50%

Prime Yield



Prime rent and yield for High Street units

\* Income of households per month per capita,  
Moody's AnalyticsECONOMIC INDICATORS  
Q2 2023YoY  
Chg.12-Mo.  
Forecast

-0.6%

GDP\*\*



2.7%

Unemployment Rate



12.6%

HICP\*\*



-5.2%

Retail Sales Volume Index\*\*



\*\* Annual growth estimates

Source: Moody's Analytics (August 2023 release)

## ECONOMY: The decline in private consumption remains concerning, but there are signs of its improvement

Czechia's economy has experienced three consecutive quarters of mild contraction since H2 2022. In Q1 2023, there was a year-on-year decline in GDP, the first since early 2021. This economic downturn was primarily caused by a persistent drop in private consumption, lasting for six consecutive quarters and totalling over 8% cumulatively. Additionally, a reduction in inventories contributed to the decline, although negative factors were partially mitigated by higher government consumption and net exports.

On a positive note, Moody's Analytics suggests that the decrease in household consumption might have reached its lowest point in Q1 2023, and there are indications of improving disposable income as inflation subsides. Moreover, the inflation rate has been gradually moderating, and the labour market has remained relatively resilient with a well-educated and growing talent pool.

## SUPPLY &amp; DEMAND: Retail properties in all formats exhibit solid performance, with more in the pipeline

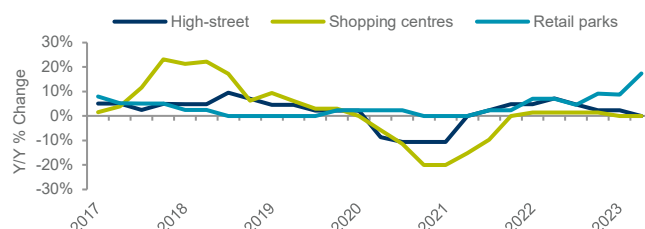
In Q2 2023, the only addition to the total retail stock in Czechia was the 7,800 sq m retail park Blansko by Fuertes Development. Across the country, approximately 130,700 sq m of shopping centres are presently in the pipeline, of which only around 10,000 sq m is under construction in the centrally located OD Máj in Prague. In total, there are 101,300 sq m of space under construction within shopping centres and retail parks in Czechia. Furthermore, the retail projects totalling over 193,000 sq m have already received planning permission, including the long-awaited schemes, such as OC Dornych in Brno (27,000 sq m) and Ameside in Pilsen (64,600 sq m). Additionally, several noteworthy shopping centre projects are in the pipeline at various stages of the approval process, including Savarin in Prague (39,000 sq m) and Galerie Pernerka in Pardubice (35,300 sq m).

In H1 2023, shopping centres experienced an increase in turnovers, with a 17% growth compared to the same period in 2019. However, when considering inflation and turnovers in real terms, the overall picture becomes less optimistic. People have changed the way they shop, likely contributing to the continued decrease in footfall, which remains approximately 11% below pre-pandemic levels. Additionally, the vacancy rate has been gradually increasing since the beginning of 2023, although it remains below 5%.

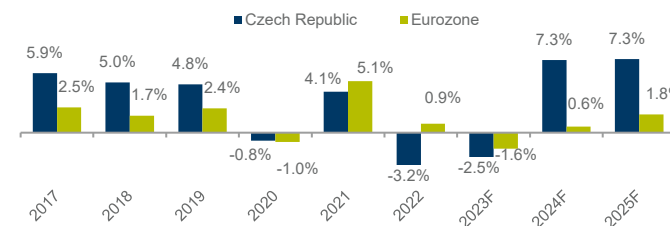
## PRICING: Prime rents for high street space and shopping centres remained stable, but rising for retail parks

Since the end of 2021, there have been no noteworthy changes in prime monthly retail rents for high street premises and shopping centres, remaining steady at €225.00 per sq m and €142.00 per sq m, respectively. However, prime monthly rent for retail parks has continued to rise, reaching €13.50 per sq m, a significant increase of 18% compared to Q2 2022.

## PRIME RENT



## RETAIL SALES Y/Y GROWTH



Source: Moody's Analytics





## MARKET STATISTICS

SUBMARKET	SHOPPING CENTRE STOCK (SQ M)*	SHOPPING CENTRE PIPELINE (SQ M)**	DENSITY (STOCK PER 1,000 INH.)
Praha	921,000	29,200	718
Brno	236,000	27,000	613
Ostrava	232,800	0	832
Liberec	136,800	0	1,329
Olomouc	134,500	0	1,312
Plzeň	129,500	64,600	740
Hradec Králové	103,000	0	1,137
České Budějovice	83,000	0	860
Teplice	70,300	0	1,442
Ústí nad Labem	52,600	0	562
Karlovy Vary	48,500	10,000	1,066
Zlín	46,500	0	516
Kladno	42,700	0	636
Pardubice	27,300	0	308
Opava	40,800	0	744
<b>CZECH REPUBLIC TOTAL</b>	<b>2,610,400</b>	<b>130,700</b>	<b>248</b>

\* Including total leasable area of traditional centres and mixed-use schemes over 5,000 sq m retail GLA.

\*\* Only permission granted and under construction centres and schemes included.

## PRIME RENTS &amp; YIELDS

		PRIME RENTS		PRIME YIELDS	
		SQ M/MTH	Y-O-Y GROWTH	Current Q	Last Y
HIGH STREET SHOPS	Prague (Pařížská)	€ 225.00	0.0%	5.50%	5.00%
	Brno (Svobody Sq.)	€ 65.00	0.0%	7.75%	6.50%
SHOPPING CENTRES	Prague	€ 142.00	0.0%	5.75%	5.50%
	Brno	€ 65.00	0.0%	6.75%	5.75%
RETAIL PARKS (OUT OF TOWN)	Prague	€ 13.50	17.4%	6.00%	4.75%
	Brno	€ 11.50	15.0%	6.50%	5.25%

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# HUNGARY

## HUNGARY

Retail Q2 2023



CUSHMAN &amp; WAKEFIELD

**€620\***  
Real Disposable Income

YoY  
Chg.12-Mo.  
Forecast

**€110.00**  
Prime HS Rent, sq m/month

**6.75%**  
Prime HS Yield

Prime rent and yield for High Street units

\* Income of households per month per capita,  
Moody's Analytics

#### ECONOMIC INDICATORS Q2 2023

**-1.4%**  
GDP\*\*

**4.0%**  
Unemployment Rate

**22.1%**  
HICP\*\*

**-10.9%**  
Retail Sales Volume Index\*\*

\*\* Annual growth estimates

Source: Moody's Analytics (August 2023 release)

### ECONOMY: Rebounding from recession, growth outlook from 2024 onwards

Hungary's economy outperformed most EU countries in H1 2022. However, by early 2023, its growth rate slowed down, leading to a mild recession by the end of Q1. Moody's Analytics predicts that Hungary's economy will bounce back from this recession by Q3 2023. After reaching its peak in Q1, inflation has now subsided to around 22%, and it is projected to decrease further to single digits by the end of 2024. Although wages have recently lagged behind inflation, this is expected to change with the easing of inflationary pressures. Government measures to mitigate inflation's impact, particularly on food prices, are being gradually phased out, influencing household disposable income. Moody's foresees households prioritizing savings replenishment with the anticipated rise in real wages. Investment activity remained subdued since H2 2022, aligned with global trends. Q1 2023 witnessed the closure of three retail park transactions, followed by the sale of two smaller high street retail units in Q2.

### SUPPLY AND DEMAND: Increased emphasis on energy-efficient renovations, limited new projects ahead

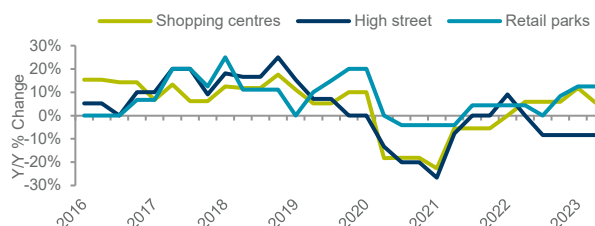
Consumer behavior has changed significantly in 2023 due to the economy's weakened performance. Retail sales, as reported by HCSO, experienced a 10.8% decline during January-May 2023 compared to the same period in 2022. It is worth considering the exceptionally high base effect caused by the government's tax rebate last spring. While online retail sales volume in January-May showed some y/y increase, its overall share dropped by 0.8%. Online sales now constitute 8% of the total retail sales for the initial five months of 2023.

Despite declining retail sales, sports brands and non-food retailers like Tedi, KiK, Jysk, and Sinsay continue opening new stores. Jysk opened a new store in Nagyatád and plans four more in 2023. Retailers like Jysk, Aldi, Spar, focus on refurbishing and energy efficiency. Newcomers Sports Vision and Jack&Jones opened in Westend, while Primark's flagship store is planned to open in Arena Mall by the year-end. June saw the opening of two small retail warehouses anchored by OBI, DM, Jysk, and KiK in Kiskunhalas and Nagyatád. After an extensive renovation, the historic Corvin Áruház mall is scheduled to reopen in September 2023. In a broader context, the market's focus is on refurbishing or repositioning existing stock. A prime illustration is the Westend food court, which recently underwent refurbishment and has now reopened.

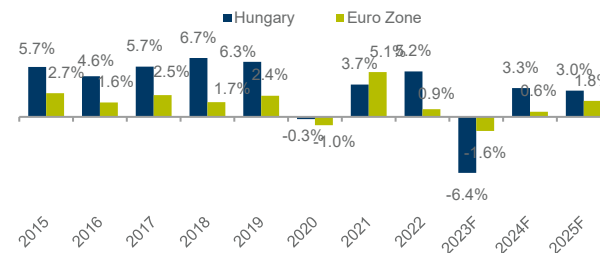
### PRICING: Restricted short-term rental growth potential across many sectors

Prime rents held steady on a quarterly basis. Retail park and shopping centre sector rents saw year-on-year increases, while high street unit rents experienced a modest decline.

#### PRIME RENT



#### RETAIL SALES Y/Y GROWTH



Source: Moody's Analytics





## MARKET STATISTICS

SUBMARKET	SHOPPING CENTRE STOCK (SQ M)	RETAIL PARK & WHS (SQ M)	RETAIL PIPELINE STOCK (SQ M)
BUDAPEST	815,560	365,770	22,000 **
CENTRAL HUNGARY	0	417,265	61,555
CENTRAL TRANS DANUBIA	54,130	131,305	7,785
NORTHERN HUNGARY	29,200	21,100	0
NORTHERN GREAT PLAIN	149,290	178,425	0
SOUTHERN GREAT PLAIN	92,985	155,400	16,200
SOUTHERN TRANS DANUBIA	61,710	126,335	13,950
WESTERN TRANS DANUBIA	108,900	278,700	30,785
<b>HUNGARY TOTAL</b>	<b>1,311,775</b>	<b>1,674,300</b>	<b>152,285 **</b>

\* Includes refurbishments. \*\* Includes planned and under construction (UC includes new projects & refurbishments).

## KEY SALES TRANSACTIONS 2022-2023

PROPERTY	TYPE	SELLER / BUYER	AREA (SQ M)
Tesco Portfolio	Hypermarket	Tesco / Adventum	273,400
2 Zone Parks	Retail Park	Tidahold / Appennin	23,400
Kanizsa Centrum	Retail Park	Kantrum / Appennin	20,800
Szombathely Family Center	Retail Park	Unione / WING	10,500

## KEY PIPELINE PROJECTS

PROPERTY	SUBMARKET	DELIVERY DATE	DEVELOPMENT TYPE	AREA (SQ M)
Antana P1	Budaörs	2024	Refurbishment	12,300
Zugló City Centre (ZVK)	Non-Central Pest – Budapest	2024	New	10,000
Corvin áruház	Central Pest – Budapest	2023	Refurbishment	7,300
Fontana Müller Üzletház	CBD – Budapest	2024	New	3,000

## KEY RECENT CONSTRUCTION COMPLETIONS

PROPERTY	SUBMARKET	DELIVERY DATE	DEVELOPMENT TYPE	AREA (SQ M)
Campona	South Buda – Budapest	Q2 2022	Refurbishment	40,000
GOBUDA Mall	North Buda – Budapest	Q1 2022	Refurbishment	25,000
Várda Market	Northern Great Plain	Q3 2022	New	3,500

	PRIME RENTS		PRIME YIELDS	
	€/SQM/MTH	Y-O-Y GROWTH	CURRENT Q	LAST Y
BUDAPEST HIGH STREET	€ 110.00	-8.3%	6.50%	5.25%
BUDAPEST SHOPPING CENTRES	€ 95.00	11.8%	6.50%	6.00%
RETAIL PARKS (OUT OF TOWN)	€ 13.50	12.5%	7.25%	7.00%

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An aerial photograph of a city skyline, likely Warsaw, featuring several prominent skyscrapers. A bright sun is visible behind one of the buildings, creating a lens flare effect. The sky is filled with scattered clouds. A large red diagonal band runs across the bottom right corner of the image.

**POLAND**



## POLAND

Retail Q2 2023



CUSHMAN &amp; WAKEFIELD

	YoY Chg.	12-Mo. Forecast
<b>€657*</b> Real Disposable Income	▲	▲
<b>€130.00</b> Prime Rent, sq m/month	▲	■
<b>6.00%</b> Retail yield	▲	▲

Prime rent and yield for Shopping centres

\* Income of households per month per capita (2010 EUR),  
Moody's AnalyticsECONOMIC INDICATORS  
Q2 2023

	YoY Chg.	12-Mo. Forecast
<b>2.6%</b> GDP**	▼	▼
<b>4.1%</b> Unemployment Rate	▲	▲
<b>12.5%</b> HICP**	▼	▼
<b>-2.3%</b> Retail Sales Volume Index**	▼	▲

\*\* Annual growth estimates

Source: Moody's Analytics (August 2023 release)

## ECONOMY: Polish economy posts the strongest quarterly growth in Europe amidst inflation slowdown

Poland's seasonally adjusted GDP recorded the strongest quarterly growth in Europe of 3.9% in Q1 2023, as per Statistics Poland (GUS) estimates. However, this strong performance has not translated into positive annual GDP growth, as the Polish economy contracted by 0.3% in Q1 2023 compared to Q1 2022. The downward trajectory of inflation persists, with annual growth rates slowing across most categories since March. Poland's annual inflation rate reduced from its February peak of 18.4% to 11.5% by June. Retail sales in June 2023 witnessed a year-on-year decline of 4.7%.

## SUPPLY AND DEMAND: 136,000 sq m new supply in H1 2023, 47 pipeline schemes, and 7 market entries in Q2

The Polish retail property market expanded by around 70,000 sq m in Q2 2023 via the schemes of over 5,000 sq m, including six new openings, two extensions of existing retail parks, and one redevelopment. This marked the second lowest quarterly result since 2015, with only Q2 2017 experiencing lower new supply. Among the new developments were Bawelnianka shopping centre and five retail parks in Bytów, Dzierżonów, Lublin, Ostrzeszów, and Piotrków Trybunalski. Additionally, Aura Park in Nakło nad Notecią and Nowe Bielawy in Toruń were extended, and the revamped Atrium Promenada shopping centre reopened in April.

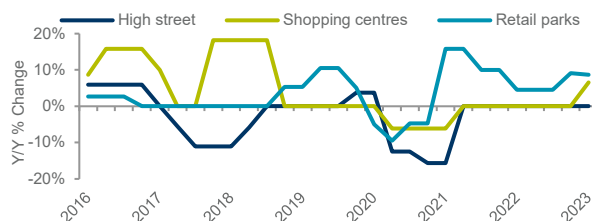
Poland's total retail stock stands at just over 16.1 million sq m, with another 300,000 sq m expected by year-end. As of June 2023, roughly 460,000 sq m of retail space was under construction, set for opening in 2023-2024. This includes 360,000 sq m in 37 new projects, including its dominant share within 30 retail parks. An additional 100,000 sq m will come from extensions and redevelopments, involving extensions to six retail parks and two shopping centres Bonarka City Center and Galeria Wołomin, and the redevelopments of three properties vacated by Tesco, and Sukcesja in Łódź. In terms of scale, major pipeline projects are Koszalin Power Center, Nowa Sukcesja in Łódź, Karuzela in Biała Podlaska and Gorzów Power Center.

Q2 2023 witnessed more market entries than Q1, with seven new retailers debuting in Poland. Woolworth, Hugo, Helly Hansen, Nuumo, Bob Snail, and two online retailers, Centrumrowerowe.pl and Engwe E-Bikes, opened their first physical stores.

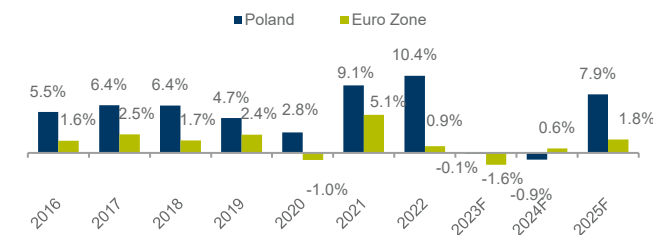
## PRICING: Retail parks see positive rental dynamics

All retail sectors witnessed a year-on-year rental growth in Q2 2023, while the best-in-class retail parks also experienced a slight rent increase from the previous quarter. The downturn in the consumer market and lower real turnover experienced by tenants primarily contribute to the downward pressure on non-prime rents.

## PRIME RENT



## RETAIL SALES Y/Y GROWTH



Source: Moody's Analytics





## MARKET STATISTICS

CONURBATION	TOTAL STOCK (SQ M)	SHOPPING CENTRE STOCK (SQ M)	SHOPPING CENTRE SATURATION (SQ M PER 1,000 INH.)	PRIME YIELD
Warsaw, city centre	2,319,900	1,380,500	494	6.00%
Warsaw, non-central locations				6.50%
Silesia Conurbation	1,556,300	1,063,500	530	6.50%
Tricity	986,200	646,500	579	6.50%
Poznań	920,600	693,600	790	6.75%
Wrocław	870,100	557,400	627	6.50%
Kraków	806,600	535,400	476	6.50%
Łódź	640,800	466,800	514	6.50%
Szczecin	452,800	263,300	496	7.10%
<b>POLAND TOTAL</b>	<b>16,104,200</b>	<b>10,589,800</b>	<b>276</b>	<b>6.00%</b>

## KEY RETAIL OPENINGS Q2 2023

PROPERTY	CITY	FORMAT	AREA (SQ M)	DEVELOPER
Galeria Bawełnianka	Bełchatów	Shopping centre	22,000	GBB Invest
Aripark	Bytów	Retail park	12,000	Sputnik
S1 Retail Park	Dzierżoniów	Retail park	8,100	Retail Partners/ Saller
N-Park	Piotrków Trybunalski	Retail park	7,700	Napollo
Ostrzeszów Plaza	Ostrzeszów	Retail park	6,400	K&K Group/ Scallier

## KEY RETAIL OPENINGS PLANNED FOR Q3 2023

PROPERTY	CITY	FORMAT	RETAIL AREA (SQ M)	DEVELOPER
Karuzela	Biała Podlaska	Retail park	28,000	Karuzela Holding
Go! Park	Jasło	Retail park	7,500	WMJ Invest
CH Jaworzyna	Krynica-Zdrój	Shopping centre	7,000	private developer
Galeria Hosso	Żary	Shopping centre	6,500	Hosso Group
Quantum Park	Łódź	Retail park	6,500	Quantum Development
Keya Retail Park	Giżycko	Retail park	5,100	AMIZG Invest
S1 Retail Park	Lubaczów	Retail park	5,000	Saller

Source: Cushman &amp; Wakefield

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ROMANIA



## ROMANIA

Retail Q2 2023

**€486\***  
Real Disposable Income

YoY  
Chg12-Mo.  
Forecast

**€80.00**  
Prime Rent, sq m/month

**7.00%**  
Prime Yield

Prime rent and yield for Shopping centres

\* Income of households per month per capita,  
Moody's Analytics

#### ROMANIA ECONOMIC INDICATORS Q2 2023

	YoY Chg	12-Mo. Forecast
<b>2.3%</b> GDP*	▼	▼
<b>5.9%</b> Unemployment Rate	▲	▲
<b>9.8%</b> HICP**	▼	▼
<b>0.6%</b> Retail Sales Volume Index**	▼	▼

\*\* Annual growth estimates

Source: Moody's Analytics (August 2023 release)

#### ECONOMY: Decreasing inflation and steady economic growth

The inflation rate in Romania has been steadily declining in Q2, registering a year-on-year level of 10.7% by the end of H1 2023, and experts predict it to drop to single digits starting from Q3. The National Bank of Romania has refrained from raising the monetary policy rate since January, maintaining it at 7%, but there may be potential downward adjustments at the year-end. Despite facing inflationary pressure and various geopolitical challenges, the local economy has been among the best performers in Europe, with solid economic growth in both Q1 and Q2 at 3.2% and 2.3%, respectively. Looking ahead, consistent GDP growth of 2.1% is projected for 2024, which will be the year with four rounds of elections scheduled in Romania.

#### SUPPLY & DEMAND: Limited activity in Q2, but record new supply expected in H2

In Q2 2023, the only retail schemes opened were Funshop Park Vaslui (10,000 sq m) developed by Scallier, and Retail Park Dej (7,000 sq m) owned by Cometex, the real estate arm of the Altex electro-IT retailer. Among the projects anticipated for completion by the year-end are Promenada Craiova (78,500 sq m), Carolina Mall (29,000 sq m) in Alba Iulia, and AFI Park Arad (29,400 sq m).

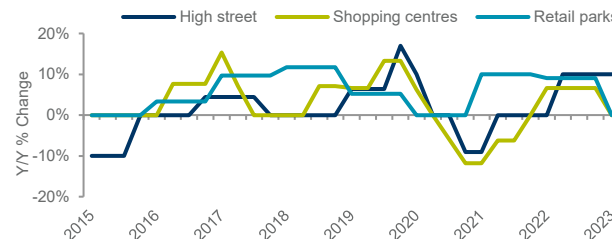
The two projects delivered in Q2 2023 bring the H1 new supply to 30,000 sq m GLA, pushing Romania's modern retail stock to 4.23 million sq m, with 55% attributed to shopping centers, and 45% to retail parks and commercial galleries.

For H2 2023, the development pipeline is consistent, with projects totaling close to nearly 260,000 sq m scheduled by year-end. Among these, 40% are shopping malls and 60% are retail parks. Consequently, 2023 is poised to mark a new record level in Romania's annual new supply in the retail property sector since 2008.

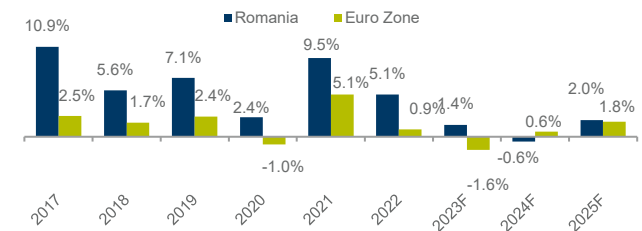
#### PRICING: Steady rental levels persist

Prime shopping center rents remained unchanged in Q2 2023. The headline monthly rents for 100–150 sq m units in dominant Bucharest shopping centers in Bucharest were in the range of €75–80 per sq m. In secondary cities like Cluj-Napoca, Timisoara, Iasi, and Constanta, the figures ranged from €50 to €65 per sq m, while tertiary locations recorded levels of €30–35 per sq m.

#### BUCHAREST PRIME RENT



#### RETAIL SALES Y/Y GROWTH



Source: Moody's Analytics



## MARKET STATISTICS

SUBMARKET	POPULATION*	SHOPPING CENTRE STOCK (SQ M)	SHOPPING CENTRE PIPELINE UC (SQ M)	SHOPPING CENTRE SATURATION (SQ M PER 1,000 INH.)	PRIME RENT (€/SQ M/MONTH)	PRIME YIELD (%)
Bucharest	1,716,983	769,000	34,000	448	€80	7.00%
Cluj-Napoca	286,598	125,500	-	438	€65	7.50%
Timisoara	250,849	173,000	-	690	€55	7.60%
Iasi	271,692	82,000	59,700	302	€55	7.50%
Constanta	263,707	122,000	-	463	€50	7.75%
Brasov	237,589	136,700	-	575	€40	7.85%
OTHER CITIES		928,000	148,400		€35	8.00%
<b>ROMANIA TOTAL</b>	<b>19,053,815</b>	<b>2,336,900</b>	<b>242,100</b>	<b>123</b>	<b>€80</b>	<b>7.00%</b>

\* 2022 Census

## KEY CONSTRUCTION COMPLETIONS Q2 2023

PROPERTY	SUBMARKET	MAJOR TENANTS	SIZE (SQ M)	OWNER / DEVELOPER
FunShop Park Vaslui	Vaslui	Kaufland, Sinsay, Altex, Hervis, Kik, New Yorker, Pepco, Sportisimo, Tedi, Zoo Center	10,000	Scallier
Retail Park Dej	Dej	Kaufland, Altex, JYSK, Pepco, Deichmann, DM, Takko, Animax	7,000	Cometex

## MAJOR PROJECTS IN PIPELINE 2023–2025

PROPERTY	SUBMARKET	SIZE (SQ M)	OWNER / DEVELOPER
Promenada Craiova (shopping mall, retail park & Dedeman store)	Craiova	78,500	NEPI Rockcastle
Prima Shopping Center	Sibiu	70,000	Oasis Consulting
Mall Moldova (extension)	Iasi	59,700	Prime Kapital – MAS RE
Arges Mall	Pitesti	51,200	Prime Kapital – MAS RE
Bacau Shopping Mall	Bacau	50,000	Prime Kapital – MAS RE
Promenada Mall (extension)	Bucharest	34,000	NEPI Rockcastle
AFI Park Arad	Arad	29,400	AFI Europe
Carolina Mall	Alba Iulia	29,000	Prime Kapital – MAS RE
IMGB Value Centre	Bucharest	28,000	Prime Kapital – MAS RE
Brasov Value Centre	Brasov	24,000	Prime Kapital – MAS RE

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# SLOVAKIA

## SLOVAKIA

Retail Q2 2023



CUSHMAN &amp; WAKEFIELD

**€701\***  
Real Disposable Income

YoY  
Chg12-Mo.  
Forecast

**€65.00**  
Prime Rent, sq m/month

**6.50%**  
Prime Yield

Prime rent and yield for Shopping centres

\* Income of households per month per capita,  
Moody's Analytics

#### ECONOMIC INDICATORS Q2 2023

	YoY Chg	12-Mo. Forecast
<b>1.1%</b> GDP**	▼	▲
<b>6.4%</b> Unemployment Rate	▲	▲
<b>12.5%</b> HICP**	▲	▼
<b>-7.7%</b> Retail Sales Volume Index**	▼	▲

\*\* Annual growth estimates

Source: Moody's Analytics (August 2023 release)

### ECONOMY: Rebounding industrial production and easing inflation are helping the economy to avoid recession

Slovakia's economy is recovering from a prolonged period of weak growth as the effects of adverse shocks are starting to diminish. Despite facing challenges, it has shown resilience, especially when compared to major economic partners like Germany and Czechia. Inflation, though still double-digit in June, decreased by around 3% in Q2, mainly driven by slowing food and energy price rises. Consumer spending declined, affecting the retail market, with real disposable income dropping by 5%. However, the labor market remains robust in Slovakia, further enhanced by the country's competitive cost benefits, which continue to lure companies seeking outsourcing, expansion, or relocation opportunities, especially during periods of tight profit margins.

### SUPPLY & DEMAND: Retailers navigate constraints in Slovakia's new market cycle

Slovakia's retail sector is facing challenging dynamics as market constraints amplify along with a cautious expansion trend, influenced by geopolitical and economic uncertainty. Amidst this environment, the highly anticipated Eurovea 2 has opened with its 25,000 sq m extension, solidifying its status as Slovakia's largest shopping centre and introducing new brands like Primark, Tefal, Vuch, and more. This property along with the ongoing construction of the 10,000 sq m extension to Aupark Bratislava, scheduled for completion in Q4 2023, marks a significant milestone in the evolution of large shopping centers in Bratislava, initiating a quieter phase for the upcoming years with no major projects planned.

On the contrary, cities such as Košice and Banská Bystrica, with lower market saturation, retain the potential for new retail parks and shopping centres. The 8,000 sq m retail park OC Island opened in Trnava in Q2 2023, while the retail park Pezinok underwent comprehensive refurbishment. Presently, a total of 50,100 sq m, distributed across 9 properties, are under construction. Irrespective of the project quality standard, it is quite challenging to let small to medium-sized retail units throughout Slovakia. Nevertheless, with the successful entry of certain brands in Eastern Slovakia, we expect this trend to continue with more newcomers in the market.

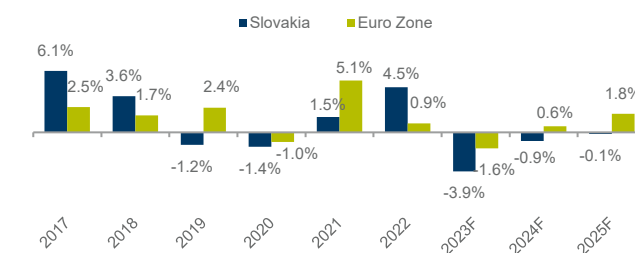
### PRICING: Steady turnover and footfall despite dip in consumer spending

In Q2 2023, prime monthly rents remained unchanged at €65 per sq m for shopping centres and €9.5 per sq m for retail parks. Despite the persistent challenges related to service charges, energy prices dropped from last year's peak and stabilized. Retail sales declined by around 8% in Q2 due to subdued consumer spending. Nevertheless, some top shopping centers met or exceeded 2019 turnover levels, though inflation adjustments slightly impacted results. Similarly, footfall in H1 2023 mirrored or surpassed 2019 levels. The central bank's rate hike raised yields by 25 bps, reaching 6.50% for shopping centers and 7.25% for retail parks.

#### PRIME RENT



#### RETAIL SALES Y/Y GROWTH



Source: Moody's Analytics





## MARKET STATISTICS

REGION	POPULATION	SHOPPING CENTRE STOCK (SQ M)	SHOPPING CENTRE SATURATION (SQ M PER 1,000 INH.)	SHOPPING CENTRE PIPELINE (SQ M)	PRIME RENT (SHOPPING CENTRES)	PRIME YIELD (SHOPPING CENTRES)
Banská Bystrica	621,000	76,300	123	0		6.50%
Bratislava	724,000	626,800	865	10,000	€ 65.00	6.50%
Košice	780,000	204,700	262	10,000		6.50%
Nitra	673,000	159,500	237	-		6.50%
Prešov	807,000	122,100	151	-		6.50%
Trenčín	574,000	68,800	120	-		6.50%
Trnava	565,000	93,700	166	-		6.50%
Žilina	690,000	172,400	250	4,800		6.50%
<b>SLOVAKIA TOTAL</b>	<b>5,435,000</b>	<b>1,524,500</b>	<b>281</b>	<b>24,800</b>	<b>€ 65.00</b>	<b>6.50%</b>

Only shopping centres of or over 5,000 sq m GLA are included in the statistics.

## KEY PIPELINE PROJECTS

PROPERTY	SUBMARKET	RETAIL GLA (SQ M)	EXPECTED OPENING	INVESTOR
Aupark	Bratislava	10,000	2024	Wood & Company / TAM
OC Madaras (extension)	Spišská Nová Ves	10,000	2023	IMBIZ
RP Bytča	Bytča	7,670	2024	KLM Real Estate
RP Chorvátsky Grob	Chorvátsky Grob (Bratislava)	6,000	2023	365 Invest

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## A CUSHMAN &amp; WAKEFIELD RESEARCH PUBLICATION

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## RETAIL MARKET DEFINITIONS

**High Street retail unit:** A High Street unit represents an actual or theoretical shop in a prime retail location. The market could be a specific street or a broader area. Data should reflect the standard unit prevalent in that market. Thus, the typical frontage and depth may vary from market to market.

**Shopping Centre:** Shopping Centre is a centrally managed purpose-built retail facility comprising units and communal areas, with a Gross Lettable Area (GLA) equal to or over 5,000 sq m. The centre can include a mix of shops, restaurants, service and leisure operators.

Note: In Bulgaria, the stock covers the shopping centres equal to or over 15,000 sq m GLA.

**Retail Park:** A retail development which:

- is purpose-built typically by a single developer with a common design,
- comprises at least two warehouse-type units,
- has a minimum total GLA of 5,000 sq m,
- has car parking facilities shared by all units,
- has the majority of units occupied by professional retailers.

Given the nature of their location edge/out-of-town and type of retail offer, accessibility by car is important for the vast majority of retail park schemes. However, although retail parks are prevalent in the UK, the concept has yet to become established across much of Europe, and definitions may differ from country to country with regard to size, anchor stores etc.

**Prime rent:** Consistently achievable headline rental rate related to a retail unit of size 100–250 sq m located along the High Street (i.e. Prime High Street Rent) or in the prime shopping centre (i.e. Prime Shopping Centre Rent).

The prime rent reflects the market's tone at the top end, even if no new leases have been signed within the survey period. One-off deals that do not represent the market are disregarded.

The rent is given as a base rent, i.e. no service charge, marketing charge, utilities and tax is included. Frontage zoning is not adopted across CEE.

**Prime yield:** The initial yield estimated to be consistently achievable as an annual percentage income return for a property of the highest quality and specification in the best location, fully let and immediately income-producing on present market terms at the survey date.

It is an indicator of the tone in the market and the associated level of risk attached to that investment.



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