

# Shopping centres: elsewhere and differently



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Nevertheless, the Moravian-Silesian region is the only region in the Czech Republic currently undergoing a “retail“ expansion. The projects Karolina and Ostravica in Ostrava, Central and Breda & Weinstein in Opava can make use of the still unsaturated demand for retail outlets in this region. “I am afraid that we will not find other locations with such a potential in the Czech Republic,“ Martin Kubík from consultancy DTZ assesses the situation. Ostrava has the lowest square meterage area of shopping centres and retail parks per 1000 inhabitants, compared to other cities with over 100 000 inhabitants.

## **New construction stagnating**

This is another reason why new offering of shopping centres and retail parks in the Czech Republic will be very limited this year. Completion of merely approx. 120 000 m<sup>2</sup> is expected, the lowest since 2000. “The only two larger projects are Galerie Harfa in Prague with 42 000 square metres and the second phase of construction of Forum Liberec with 22 000 metres. Apart from these two larger projects, smaller retail parks in towns with fewer than 50 000 inhabitants will prevail,“ says Lenka Hartmanová from DTZ. “A proof of the fact that the retail market in the Czech Republic is starting to be saturated is the behaviour of the discount chains. Only two years ago, they avoided towns with fewer than 30 thousand inhabitants, today towns and settlements with under 5 000 inhabitants are included in their plans. We therefore expect to see reconstructions of older premises or remodelling of centres built in the last five or ten years, rather than construction of new shopping centres,“ concludes Martin Kubík. Figures confirm his words. The local shopping centres (according to Incoma Research, approx. 270 shopping centres of various sizes currently operate in the Czech Republic) last year recorded a year-on-year visitor rate 5 - 6 % lower and 10 - 30 % lower sales. Some shopping centres in Prague are now facing a lower number of shoppers due to growing competition, unfavourable location or shop composition. The retailers are not satisfied with the low visitor rate and they often sue the shopping centre operators and require a lower rent. Arbitration Court attached to the Economic Chamber of the Czech Republic is currently solving tens of such disputes. And property developers need to start thinking differently.

## **New offering in new locations**

Current studies by DTZ show that in the last months the choice of location and structure of new shopping centres is changing: property developers are locating their projects in city centres or their wider surroundings. The new shopping galleries are often combined with office space and in some case also with residential units. Size of the projects is in direct proportion with the location or the potential demand. It is this, together with their competitiveness, which plays one of the key roles in the take up of the vacant

units by tenants.

In less attractive locations, property developers today cannot rely on occupation of the retail space with a traditional mixture of shops and brands. According to experts, they should focus more on services which had been or are still rare in shopping centres and galleries. Space for gyms and wellness zones, doctors' and dentists' surgeries, schools, banking and insurance services as well as car-salons has been created. Another trend could be the focus on fresh foods, connected to relatively high consumer expenditure on food by the Czechs. An example of this can be the planned gastrohouse in Karlín, to be constructed by Karlín Group. Popularity of food supplied directly by the producers and organic food (especially fruit and vegetables) is gradually increasing, which helps with this concept.

### **Hypermarkets get a new chat**

A partial competition to the planned projects are the new concepts of chains such as Tesco and Kaufland. They currently allocate part of their space to smaller tenants and therefore make their offering more interesting for the hypermarket customers. They are increasing their competitiveness, even though it is only in some parts of their range of goods. These premises most frequently offer traditional services such as dry cleaning, shoe repair, florists, pharmacies or newsagents. Hypermarkets are also meeting the demand for quality food and they enlarge their offer of specialized food outlets (meat and cold meats, bakery, wine shops). There is also a possibility of using the shopping centres for so-called community purposes and enabling the operation of jobs centres, maternity centres etc.

Space for "monothematic" shopping centres is also being discussed. The offering of some types of goods or commodities is still very weak or fragmented in the Czech Republic. Centres for furniture, consumer electronics etc. are built in the West. It may be because of this that one of the few developers, though of company character, is announcing a fundamental expansion. Inter Ikea Centre Group (IICG) - investor, developer and operator of shopping centres Avion Shopping Park with department stores Ikea. They are planning to invest another EUR 200 mill. (CZK 5,2 bill.) in the Czech Republic and Slovakia in the next three to five years. IICG is currently looking for a suitable location for a new Avion Shopping Park in the Pardubice or Hradec Králové region and also in Košice.

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