

# Retail: development and investors reviving



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During the economic downturn shopping centres proved to be economically resilient institutions, allowing secure return on investment. It reflects the growing popularity of this segment among investors - however, according to DTZ, because of this development the market is expecting a fall in yields soon. As regards construction, Eastern and Central Europe can expect, according to DTZ, construction of a number of new shopping centres to begin due to improving economic outlooks, increasing retail sales and consumer demand and limited supply of space. "If we talk about the Czech Republic, compared to Sweden or the Netherlands, there is about half volume of retail space here, but we are around the European average per 1,000 inhabitants," says Lenka Šindelářová, analyst at DTZ. Whereas no shopping centre will start its operation in the Czech Republic this year, we expect opening of several new shopping centres next year although the extension of existing centers or construction of retail parks will still dominate. The largest project for 2012 will be the Forum Ostrava shopping centre with an area of 57,000 sqm.

## Boom in the East, downturn in the West

According to DTZ's estimates, shopping centres with a total area of 13 million sqm will start their operation in Europe by the end of 2012. It is nearly four times compared to the 3.5 million sqm built in Europe in 2010. The new construction will be largely concentrated in Eastern Europe, especially in Russia and Turkey. In these two countries, the existing area of shopping centres will increase by up to 30%.

Retail in Western Europe has completely different perspectives - compared to the eastern part of the continent the construction of new shopping centres in 2011 and 2012 will almost stop there. Many Western European countries, including Sweden, Ireland and the Netherlands are showing a relative abundance of space; others, including Great Britain, France and Italy are close to the European average. United Kingdom, France and Germany have even 50% of the total share of all shopping centres in Europe.

There were about 6,500 shopping centres in the whole Europe at the end of 2010. Together, they represent retail space of 120 million sqm. More than 90% of them are located in Western Europe, only 10% in Central and Eastern Europe.

## Czech Republic: increasing demand

There has been a significant increase in demand for retail units in Prague since the start of 2011. According to a Jones Lang LaSalle analysis, the demand has been focused primarily on the best shopping centres and

main shopping streets. Speaking of the capital city, however, the main shopping street Na Příkopě does not provide much space so the brands look for a place in adjacent areas, too, especially in the lower part of Wenceslas Square. Slovak fashion chain GATE opened its flagship store in the Darex building, the Koruna Palace managed to secure a new brand on the market, Desigual. New facilities are redeveloped on the opposite side of the square, improving the quality of supply: for instance, Blažek opened new outlets, refurbishment for a bank branch is taking place in Astra Palace. 28.října Street, which is a natural extension of the Na Příkopě Street, is also undergoing some changes. Ehlen house is under reconstruction and Apple has recently opened a new store there. The situation is similar outside of Prague, and traders focus mainly on the traditional shopping streets.

Despite higher demand, which does not rhyme with weak supply, rent for units in Prague's best shopping centres remained unchanged, at EUR 95 per sqm per month. Rents in other well-functioning centres range between EUR 65-75 euros. Less prosperous shopping centres may charge up to 30% lower rents.

According to Jones Lang LaSalle analysts, the “retail” development in the near future will be characterized by efforts to distinguish the different formats of retail units. It is worth noting the fact that even the domestic retail development is already influenced by the useful fashion of environmental certification. Unibail-Rodamco is building the next stage of the largest and oldest shopping centre in the Czech Republic - Centrum Černý Most - with BREEAM Excellent certification.

### **Waiting for brands**

CB Richard Ellis has been monitoring plans of global retail brands for several years. As this year's report shows, many of them still intend to expand - and the “new” territories such as Central Europe are an obvious choice. Even after twenty years, not all renowned brands are present in this region. The Czech Republic holds the 18th position from countries with the largest number of observed 323 brands with a “presence” 34% of international brands (the record holder in this respect is the UK whose market has attracted 58% of the observed brands). In the same list of cities, Prague was ranked 25th with 33.2% of brands present, and Brno ranked 95th with 21.1%.

Some space for development of retail network is evident from these figures. “We still see a potential for new brands to come to the Czech Republic. The market still lacks a large number of international retailers already represented in neighbouring countries. Therefore, we expect these brands to appear sooner or later in the Czech market, especially on the main shopping streets or in well-performing shopping centres in large cities where there is greater purchasing power,” says Jana Novotná of CBRE.

The improving prospects for the retail segment of the commercial market is confirmed by the latest data on local investment flows. According to a recent report by JLLS, the global share of investment in the sector of business centres featured almost one third of all real estate investments in the first quarter of this year - it was just one quarter in the same period last year. In contrast, the share of office sector in investment activities dropped from 50 to 45% in the same time.

Photo: Stella Levi

Visualization: Unibail-Rodamco (Centrum Černý Most)

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