

Retail centres: developers slacken pace



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“There have always been delays in the opening of shopping centres, for technical reasons, relating to construction delays, or administrative reasons, caused by protracted settlement of various permissions. Last year, however, the global financial crisis joined in,” says Martin Žížala, of Cushman & Wakefield. But he points out that taking into account the time needed for designing and building such projects (three to four years on average), the projects originally planned for completion and launch in 2008 were hardly affected by financial, or credit-related, problems. If the opening dates of some projects moved from autumn 2008 to spring 2009, the reasons rest in the aforementioned implementation and technical issues.

Thanks to last year’s construction, the total area of retail complexes in the Czech Republic exceeded 1.9 million square metres. When measured as the area of shopping centres per a unit of population, the Czech Republic is just below the EU-27 average, with its 186 square metres per 1,000 people; according to data collected in June 2008 the EU-27 average is about 200 square metres per 1,000 people. At the same time, however, the Czech Republic is No. 1 in this respect in Central and Eastern Europe. For instance Slovakia had only 137 square metres of shopping areas per 1,000 people at the end of last year.

Last year’s trends

Last year, retail development experienced an important milestone - a modern shopping centre with an area of over 5,000 square metres was built even in the last region that had not had any such facility. City Park Jihlava was opened in autumn, which marked the end of expansion of retail complexes to all regions. The history of construction of Jihlava’s shopping centre was rather dramatic, but in all respects gives a true picture of the problems encountered by the construction of this type of commercial realties. The investor obtained a piece of land for this project, very suitable from a logistical point of view (just behind the walls of the old Jihlava quarters, within a walking distance from the central square), but rather problematic in terms of conservation. The project therefore perplexed and was even opposed by several civil initiatives. In the end its implementation cost the life of the complex’s most vocal opponent, who committed a suicide in the entrance area of the building just after its opening.

The expansion of successful large centres (Nisa Liberec, Avion Ostrava) continued, and we can even observe the penetration of shopping centres to cities with less than 70,000 residents (Kladno, Kolín, Most and the above-mentioned Jihlava).

2008 Projects of the Year

City	Name	Area (in sqm)
Prague	Arkády Pankrác	38,000
Jihlava	City Park Jihlava	26,000
Kladno	Centrum Oáza	17,800
Most	Central Most	17,373
Pardubice	Palác Pardubice	16,000
Zlín	Zlaté Jablko	12,500
Prague	Galerie Fénix	11,165
Kolín	Futurum Kolín	10,000
	TOTAL	148,838

Source: Cushman & Wakefield, January 2009

This year's expectations

“Today there is virtually no city in the Czech Republic with a population of over 50,000 that would not have a shopping centre, or at least for which developers would not introduce plans to build such a centre. In 2009, developers so far plan to open new centres with a total area of about 110,000 square metres, which would be one of the lowest figures since the introduction of this shopping format on the Czech market in 1997,” says Alexander Rafajlovič, director of Market Research Department in Cushman & Wakefield.

He adds that this year the differentiation of the individual projects will continue - large and successful shopping centres are still strong enough to expand, which can be testified by the plans in Olympia Brno, which will finish the fourth stage of extension of its retail capacity in 2009.

The era of filling vacant spots on the retail map is coming to an end in the Czech Republic and any other centre will directly compete with another one, often already established. Likewise, the times of construction in peripheral districts are also gone, and the current trend is lucid: developers are targeting city centres. “After more than ten years of development of shopping centres in the Czech Republic, the market is getting into a stage where success is increasingly contingent upon the careful selection of location, architectural design, ability of suitable incorporation in the environment and in particular the structure of vendors. However, it remains obvious that many retail brands are still interested in entering the Czech market,” Martin Žížala, of Cushman & Wakefield, summarizes this year's outlooks.

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