

Retail: market transformation approaching?

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The European Shopping Centre Development Report, prepared by consultancy Cushman & Wakefield, estimates that in 2010 will be finished merely 7 million square metres of new retail spaces in Europe which is less than this year when finishing of 8,7 million square metres is expected. In 2011 it may even be only 5 million square metres of new spaces. In the first half of this year 46.500 square metres on new shopping areas in the Czech Republic were completed. Alexander Rafajlovič from Prague's Cushman & Wakefield office says: "Construction of new shopping centres in the Czech Republic shows a falling trend which is expected to last until 2011. The projects which have not been started will hardly be able to open in 2010 and the developers who have postponed their projects several times and have not started project preparations yet will have a harder negotiating position with future occupiers. We will see a shift in developers' activities from shopping centers towards shopping parks which are perceived as more resistant to the current economic situation.

Back to large cities

It is suitable to say that the shopping space in the Czech Republic has reached the value of almost 190 square metres per 1.000 inhabitants in the first half of this year. This equals to 90 % of European average, if we compare these figures to purchasing power of inhabitants of each country, then the Czech Republic is above average in terms of modern shopping premises. Other analyses show (this time by consultancy DTZ) that it is this very factor, together with economic recession, which heads irreversibly towards a complete change in the Czech retail market. According to DTZ, the retail market still has large development potential lying mainly in a new approach - segmentation.

"Shopping centres focused mainly on fashion and fashion accessories start to have vacant spaces. An increasing number of such generally focused shopping centers is facing problems and it will be necessary to take measures reflecting the real consumer demand," says Martijn Kanters from DTZ and he adds: "There are two segments with a significant development potential. Firstly, large specialised shopping destinations focused on one or two types of products and secondly, centres oriented at everyday needs and shopping of nearby inhabitants, sized approximately 5.000 to 10.000 square metres. By segmentation, he means focus of shopping centres on a specialised type of outlets and adapting the concept of the centre to a theme. An example may be international concepts focused on furniture, electronics or specialist food stores.

Territory focus is different. The tenants head back towards large cities, this is a contrast from several months ago when merchants preferred smaller towns. As a result of the crisis, the tenants are demanding more security and are therefore returning to larger cities where the impact of the financial crisis is less significant, show the analyses of Cushman & Wakefield. Total volume of modern retail areas in the Czech Republic in the second quarter of 2009 reached 2,5 million square metres, 36 % of which are in Prague and its surroundings.

New projects for Prague and the regions

Regardless of the impact of the global property crisis on the Czech construction, a number of developers announce new projects this year. Many of these will be realized in the regions. For example, the company Inter Ikea Centre Group, the developer and operator of Avion shopping centres with the Ikea stores plans to invest further 5,2 billion CZK within the next three to five years. The investments should head in current shopping centres extension as well as building new shopping centres. As an example, the Ostrava shopping centre will be extended to more than 100.000 m², another furniture chain Kika will be located next to Ikea

there. Crestyl, a frequent investor in northern Bohemia, where it opened the Central Chomutov shopping centre, plans a shopping-entertainment centre named Central Kladno, this time in central Bohemia. The new centre will offer a total retail area of 29.000 square metres. An important contribution of commercial areas is expected in Plzeň where UBM Bohemia will start to build a multifunctional centre Hamburk next year. Its concept will be similar to that of Anděl City at Prague's Smíchov which was finished by UBM Bohemia several years ago. The developers' paradise - the capital city - will have its go too, of course. Already mentioned Ikea plans to build a new furniture and interior products store IkeaWest in Prague-Zličín in 2011. The original Ikea store will be reconstructed and offered for lease. Extension of the Fashion Arena shopping centre in Prague is also expected, a major contribution to enlarging Prague's retail capacities is undoubtedly Galeria Harfa with 44.000 square metres of retail space.

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