

## Mall development to decline through 2011

21.9.2009 Czech business weekly str. 45 Property

MARTINA MAREČKOVÁ Lighthouse Services

**Shopping center development** in the Czech Republic and across Europe has been heavily affected by the financial crisis, with new space expected to drop significantly over the next two years. Although **development** financing is scarce there are still some new projects beginning construction, such as **Galerie Harfa** in Prague.

According to the latest research released by real estate adviser Cushman & Wakefield (C&W), **shopping center development** in 2010 is set to experience its lowest level in the past five years, with 2011 figures expected to fall even further. Estimated new retail space for Europe as a whole in 2009 is 8.7 million square meters, a 5 percent decline year on year. The Czech Republic accounts for 46,500 sqm of new space this year and has an additional 150,000 sqm in the pipeline, assuming completion of the projects occurs. One of the pipeline shopping centers is **GalerieHarfa**, a 42,000 sqm shopping center being **developed** in Prague by property **developers** the **Lighthouse Group**. The **shopping center**'s cornerstone was laid Sept. 16 and completion of the first, retail phase of the project is due for the last quarter of 2010. The project is being financed by Frankfurt-based real estate bank Eurohypo despite reports that the bank is exiting the Czech market. Financing consisted of a - 147 million (Kč 3.68 billion) loan to Polish **developer** Globe Trade Centre, which is carrying out the mall's construction. The project will also include 20,000 sqm of office space. A reported 45 percent of the center has been pre-leased.

- The supply of new centers in the Czech Republic shows a gradually declining tendency that is unlikely to change by 2011. Schemes that have not started construction by this time are very unlikely to open in 2010 and **developers** who have postponed their projects several times without having a track record of actual work on the project will find it even more difficult to persuade tenants in the future. In the next two years, the activity in the **development** market will be shifting from shopping centers to retail parks and retail warehouses as these are perceived to be more resistant to the current economic conditions,- said Alexander Rafajlovič, head of Cushman & Wakefield Prague's research department.

The ratio of shopping centers per 1,000 inhabitants in the Czech Republic reached 190 sqm by the mid-point of 2009, which represents about 90 percent of the European Union average. Due to the **development** slowdown resulting from the global financial crisis this ratio is not expected to change to the end of 2010. The Czech **shopping center** pipeline for 2010 also includes extensions to Fashion Arena in Prague; Forum Liberec in Liberec, North Bohemia; and Avion Brno in Brno, South Moravia. \*

Foto autor| Archive