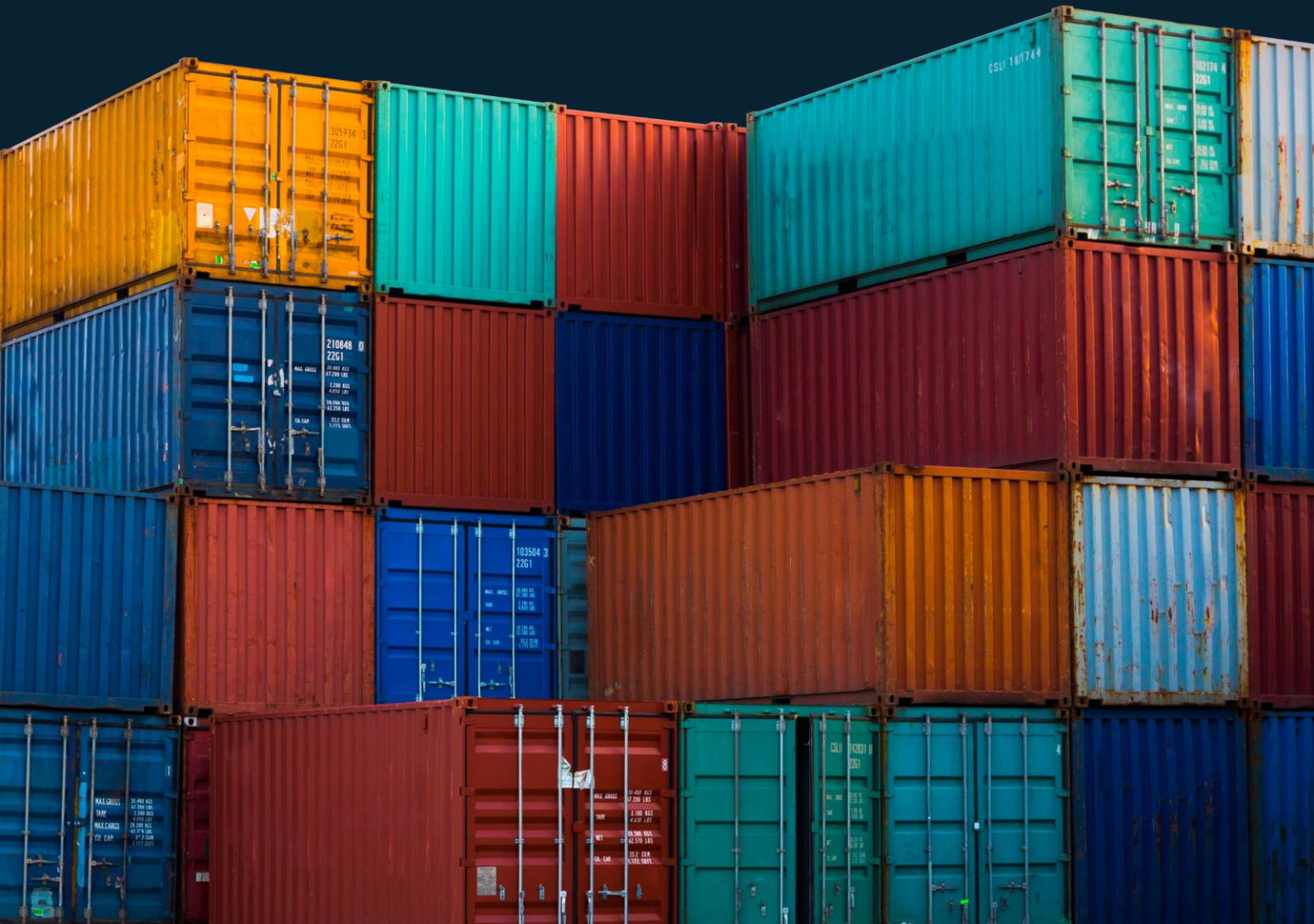




CZECH REPUBLIC

INDUSTRIAL MARKET OVERVIEW

QUARTER 4 | 2019



INDUSTRIAL MARKET

Supply & Vacancy

With 158,500 sq m of newly completed warehouse space in Q4 2019, the total stock in the Czech Republic currently stands at 8.36 million sq m. The newly completed space comprises 15 new buildings across the country, with 36% of the space being delivered to the Greater Prague region. The Central Bohemian and Pilsen regions both received 15%. South Moravia and Ústí nad Labem region both saw the completion of 10% of the new space.

Full year completions totalled 647,500 sq m. By the end of Q4 2019, vacancy stood at 4.1%, which is 96 basis points lower than in Q2 and 63 basis points higher than in Q3 2019. The total available space reached 342,500 sq m. Despite this seemingly low number, the availability of larger space is better than in previous quarters, with nine properties offering space in excess of 10,000 sq m. Combined with the low average vacancy rate, it creates an ideal environment for build-to-suit

development, depending on the availability of land and permits. Landlords remain in a strong negotiating position.

Demand

Gross take-up in Q4 reached 274,000 sq m, registering a 22% decrease on the previous quarter, and a 12% decrease y-o-y. Cumulative take-up for 2019, reached 1.368 million sq m, a 10,700 sq m increase over 2018, confirming a robust and growing Industrial market. Net take-up reached 236,800 sq m, 8% up q-o-q and 34% up y-o-y. The share of renegotiations on total gross take-up for 2019 is at 32% and we do not foresee any significant changes. That is due to both the relatively low vacancy and also the situation in the labour market, where companies prefer to stay in established locations rather than facing the issues of hiring new staff, when the countrywide unemployment rate remains at around 2.8%.

RENTS & OUTLOOK

Rents

Prime industrial rents in Prague and Brno stand in the range of €4.50 - €4.85/sq_m/month. Other sought-after regions such as Ostrava, Plzeň and Ústí nad Labem have rents in the range €4.00 - €4.35/sq m/month. The previously common incentives of one month rent free per year of lease is no longer the standard and developers now provide incentives based on location, lease size and length and also on the tenant profile.

Outlook

Around 648,000 sq m of warehouse

space was under construction at the end of Q4 2019. The pre-lease level on the space under construction exceeds 58%, which is in line with our expectations. Due to the continued situation with low vacancy, we do not expect this trend to change. In Q1 2020, we expect 248,000 sq m to be delivered to the market. That is a continuous increase in size of new space entering the market. This trend proves that the Czech Republic is still one of the most sought-after countries within Europe for the development of new industrial properties.

FIGURE 1: CZECH INDUSTRIAL STOCK & VACANCY (in sq m thousands)

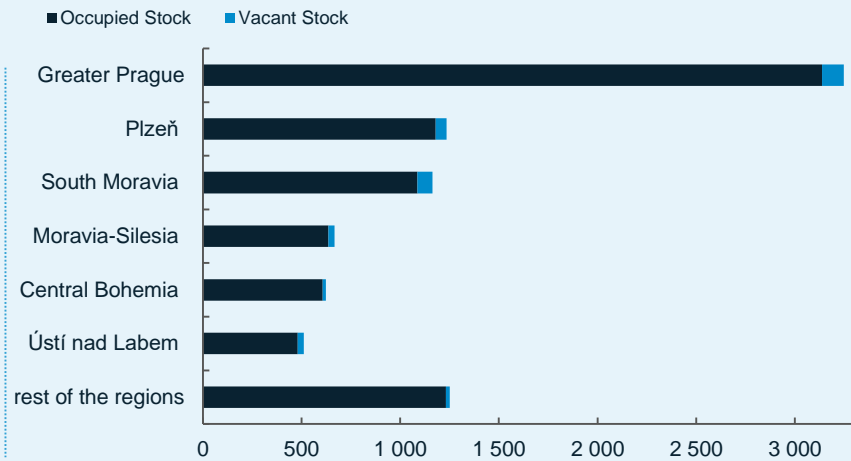


FIGURE 2: ANNUAL SUPPLY (sq m thousands)

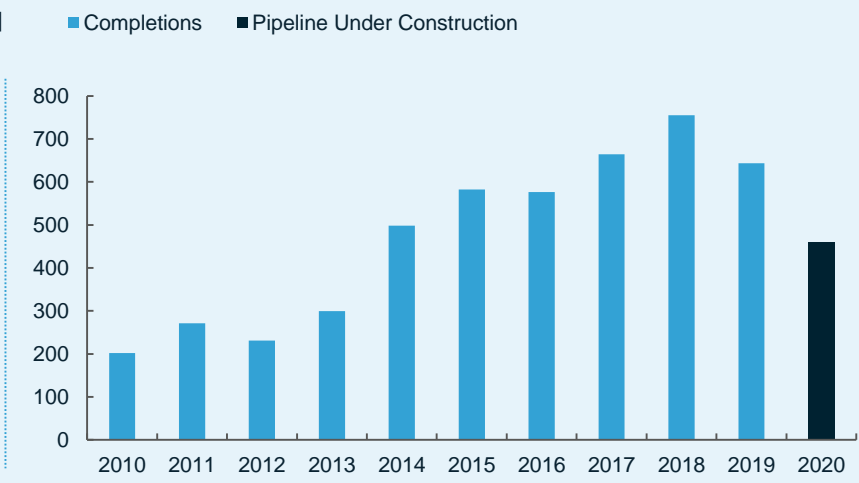
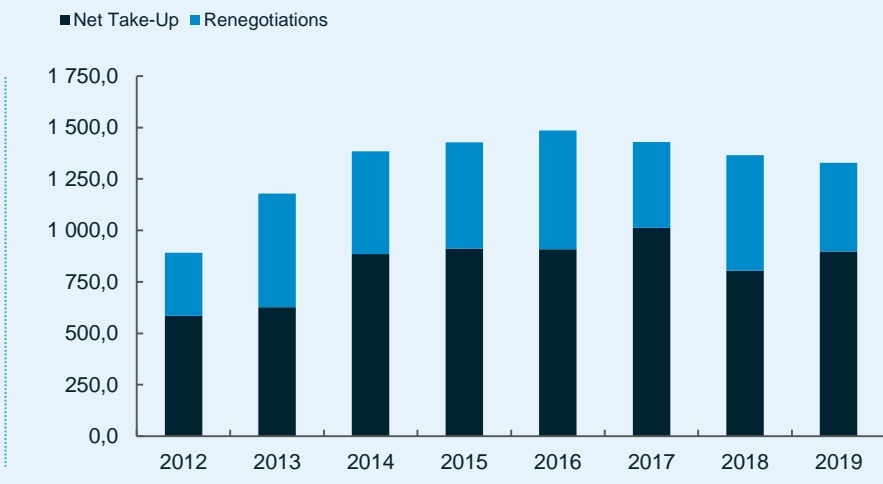


FIGURE 3: TAKE-UP (sq m thousands)



Sources: Figures 1-3: Industrial Research Forum, Colliers International

FOR MORE INFORMATION

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