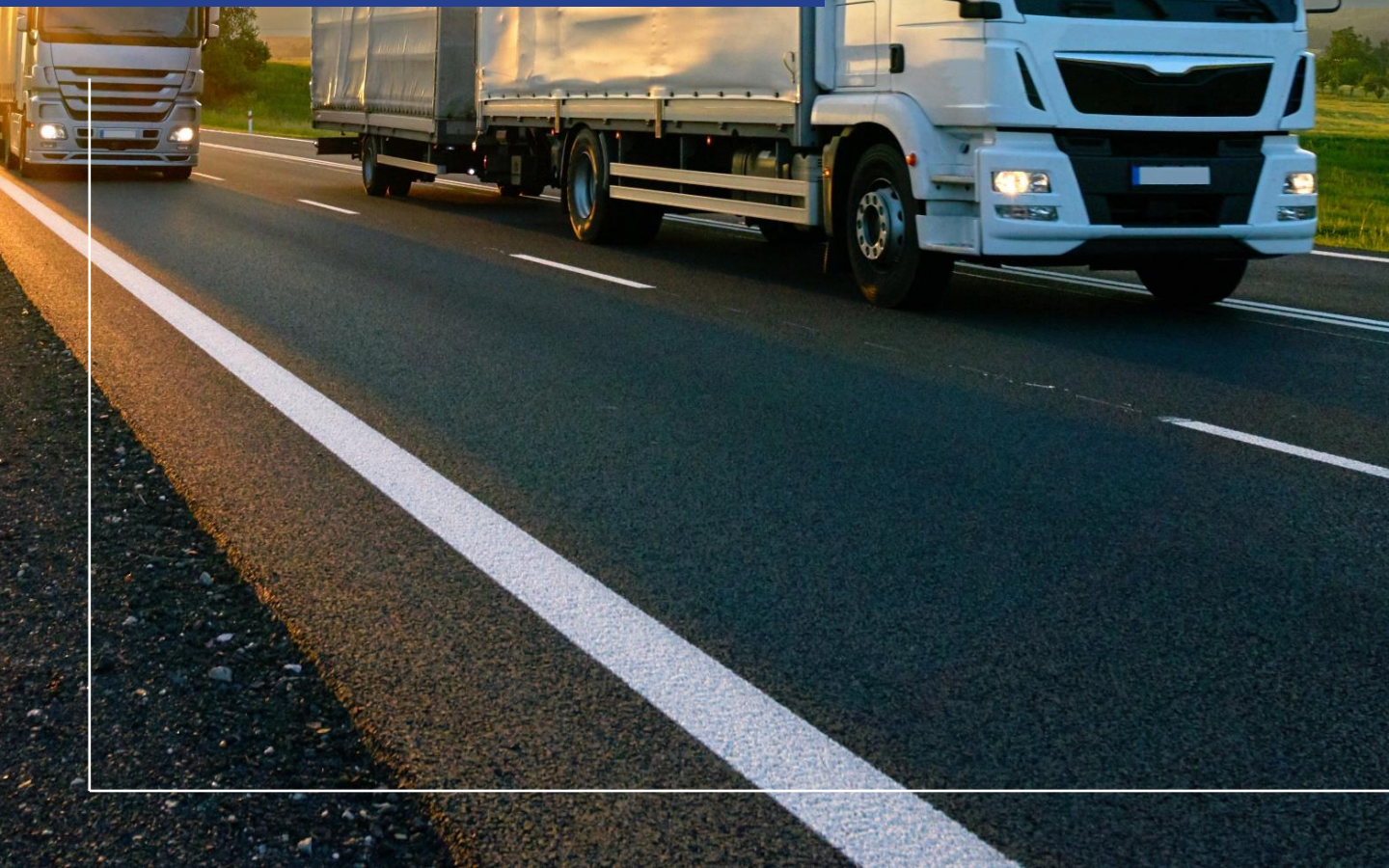


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2021 | Czech Republic

Industrial Market Overview



Macroeconomic overview

The Czech Republic remained in a state of emergency during the entire first quarter of 2021. This condition was ended in mid-April and lasted a total of 189 days. Despite some progress of distributing the vaccine to the population, it is still quite slow in comparison with other countries in Europe. As the count of new confirmed cases of COVID decreases, the whole country looks forward to loosening the measures. There is however a long road back to normality and the government, both current and future (which will be elected in autumn), must avoid the mistakes made last year.

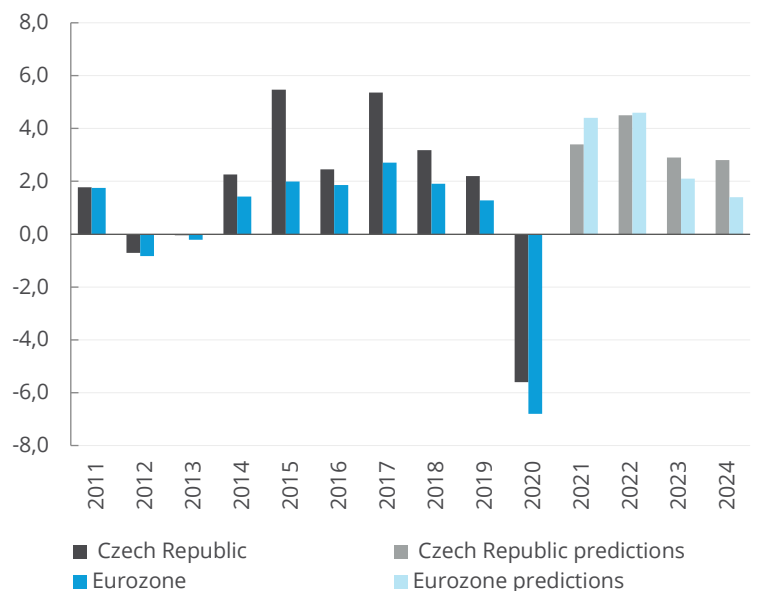
As we could expect, the prolonged state of emergency affected the forecasts for GDP. In general, we are still expecting a rebound in H2 2021 from the current slowdown and through 2022. According to Oxford Economics, the forecasted growth for this year is 3.3%. Industry and exports are still the main economic engines, even with several bottlenecks in supply chains that can limit their outputs. By the time shops re-open, strong

consumer spending is also expected to lead the recovery, thanks to the accumulated savings amongst the population.

What could be surprising, despite reported closures of hundreds of restaurants and even several retail brands and chains, is that the unemployment rate has remained at similar levels recorded last year, reaching 4.2% at the end of March 2021. This represents approximately 307,000 jobless individuals in the country. This rate is expected to remain for some time during 2021 and even decrease further forward in 2022, once the economy can operate without limitations.

One big question mark still hangs over inflation. There were several scenarios warning about the inevitability of increasing consumer prices however, many economists and institutions are now forecasting a much more conservative outlook for Czech Republic, ranging from 2.0% to 2.5% in 2021.

Gross domestic product (%)



Sources: Colliers International, Oxford Economics



Czech industrial market

Top 3 Transactions of Q1 2021

Tenant	Property	Size (sqm)	Transaction
Tchibo	Panattoni Park Cheb	73,100	Renegotiation
Wistron InfoComm	CTPark Brno	65,300	Renegotiation
Damco Czech Republic	P3 Hradec Králové	41,600	Renegotiation

Sources: Industrial Research Forum, Colliers International

Supply and Vacancy

With 68,000 sq m of newly completed warehouse space in Q1 2021, the total stock in the Czech Republic now stands at 9.17 million sq m. The newly completed space comprises 5 new buildings across the country, with 41% of the space being delivered to the Pilsen region. The second highest supply of space was in the Moravia-Silesia region, receiving 37% of completed space, followed by the Greater Prague (19%) and Liberec regions (2%).

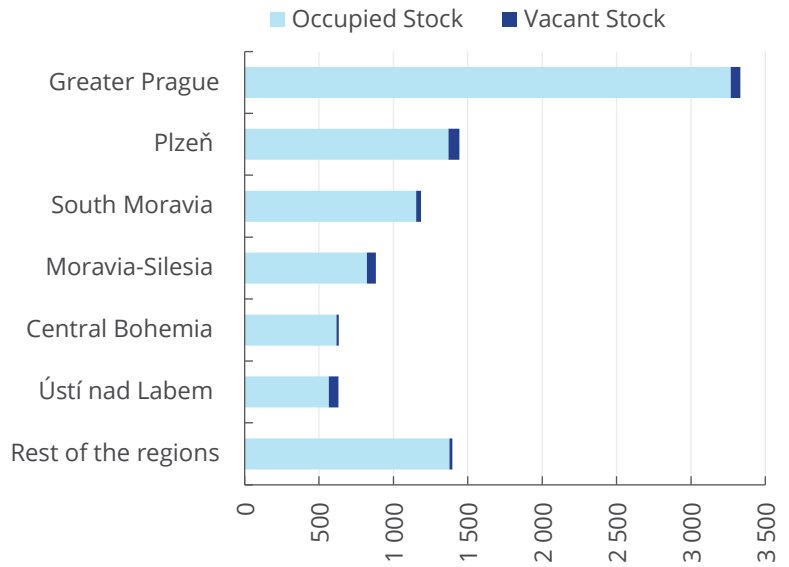
By the end of Q1 2021, vacancy stood at just 3.6%, which is 61 bps lower than in Q4 2021. The total volume of available space

reached 329,100 sq m. Availability of larger space remains quite limited, with only 8 properties offering existing space in excess of 10,000 sq m. Combined with the low average vacancy rate, it creates an ideal market environment for build-to-suit developments. Thanks to the limited supply of land and lengthy permitting processes, landlords will remain in a strong negotiating position.

Demand

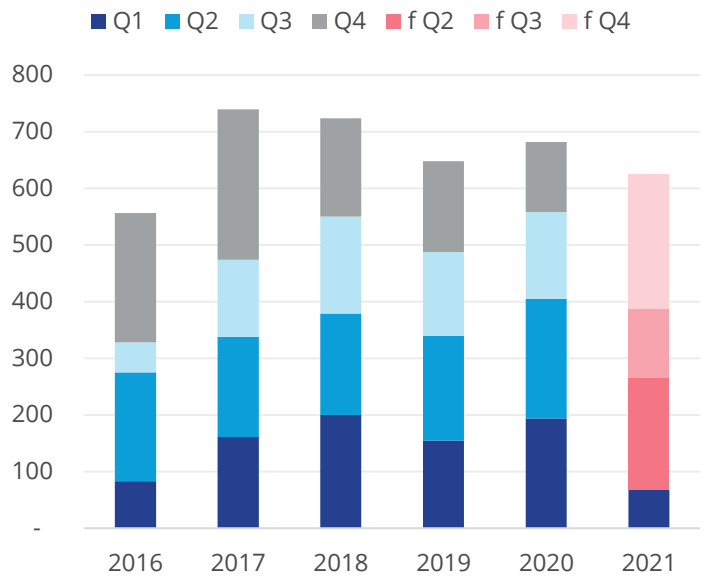
Gross take-up in Q1 2021 reached a new all-time high of 765,600 sq m, registering a 44% increase on the previous quarter, and an incredible 147% increase YoY.

Industrial stock and vacancy in regions (sq m thousands)



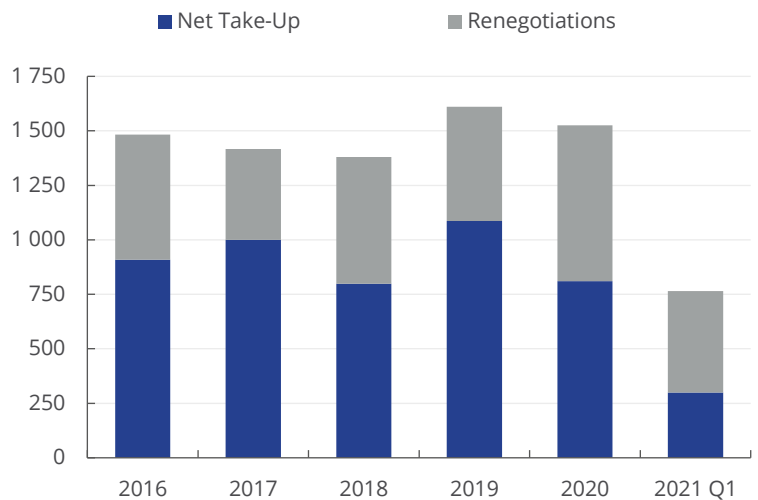
Sources: Industrial Research Forum, Colliers International

Annual supply (sq m thousands)



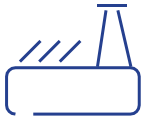
Sources: Industrial Research Forum, Colliers International

Annual take-up (sq m thousands)



Sources: Industrial Research Forum, Colliers International

Key market figures



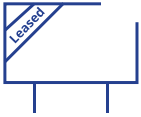
Stock (sq m)

9.17 mln



Vacancy Rate

3.6%



Q1 Gross Demand (sq m)

765,600



Prime Rent

€4.50 - 4.85



Q1 Supply (sq m)

68,500



Under Construction (sq m)

557,500

This record take-up is a result of realized demand that was pent-up, in previous quarters, by the pandemic. This growth in demand confirms a robust and growing industrial & logistics market. Net take-up reached 299,400 sq m, which is a 10% decrease QoQ and a 185% increase YoY. The share of renegotiations on total gross take-up for Q1 2021 was 61% and we expect this share to become the norm as the growth of the market is not as rapid as in previous years. The trends in the property market together with the unemployment rate of around 4.2%, create a market environment where companies prefer to stay in current premises and renegotiate, rather than facing the issues of moving to another location and hiring new staff.

Rents

Prime industrial rents in Prague and Brno stand in the range of €4.50 - €4.85 per sq m, per month. Other highly sought-after regions such as Ostrava, Plzeň and Ústí nad Labem have rents in the range

of €4.00 - €4.35 per sq m per 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, lease length and most importantly, the tenant profile and covenant.

Outlook

Approximately 557,500 sq m of warehouse space was under construction at the end of Q1 2021. The level of pre-leased space under construction is 78%, which is in line with our expectations. Due to the continued situation with low vacancy, we do not expect this trend to change as developers are less willing and under less pressure to speculate with new developments. In Q2 2021, we expect 293,400 sq m of space to be delivered to the market, 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 and logistics properties.

For more information

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