



108

REAL ESTATE
AGENCY

REPORT Q2/2020

INDUSTRIAL PROPERTY MARKET

MARKET OVERVIEW Q2/2020

SUMMARY - "A" CLASS PREMISES

8,938,841 SQM
STOCK

218,457 SQM
CONSTRUCTION
COMPLETED

382,926 SQM
IN CONSTRUCTION

AVERAGE RENTS
4.20 - 4.60
EUR/SQM/MONTH

5.29%
VACANCY

5.75%
YIELD

The total area of modern industrial space for lease reached over 8.9 million square meters. In the second-quarter of 2020, a total of 382,926 sqm of modern industrial space was under construction, it's a slight decrease over the previous quarter. However, the vacancy rate of premium industrial premises risen yet again to 5.29% with 473,402 sqm available for lease.

There is still a low vacancy rate in Prague and its surroundings and the supply is unable to satisfy demand. Developers are focusing their activities, in particular, in the Moravian-Silesian Region, in general on the borders with Germany - in Karlovy Vary region, in Usti region and Pilsen region.

Because of the security measures in regards to covid-19, many companies resorted to layoffs which means that unemployment in these regions is on a rise. This surge of potential new employees can help stimulate the market.

„Following the recent covid-19 pandemic, we can already observe a return to the level of demand almost at the pre-crisis level. With e-commerce sector rising and construction sector remaining relatively strong, we do not expect any major market cooling, which is typical for the summer months.

At the same time, we can observe a large number of planned industrial zones, and in the aftermath of the crisis we expect further cultivation of a competitive environment. After the forced lockdown we are ready to meet our clients' needs and look forward to their new requests.“

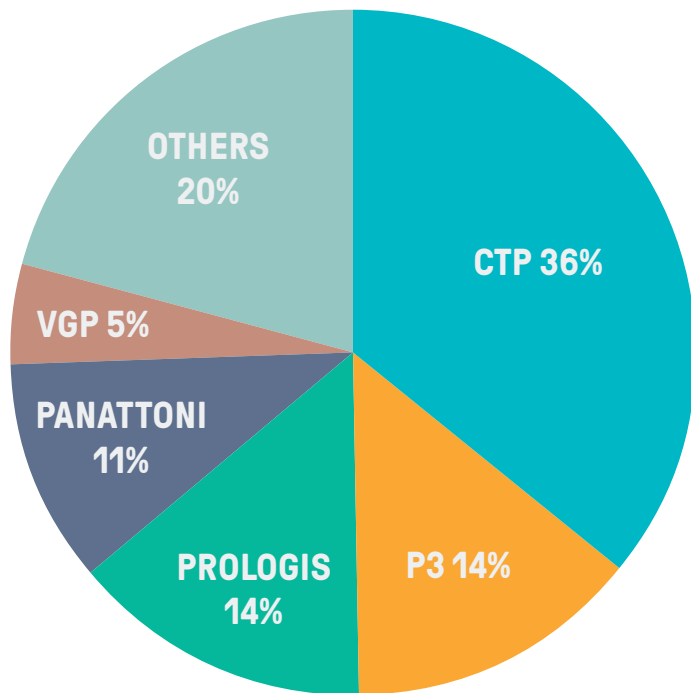
MATĚJ INDRA
Industrial Agency



MARKET OVERVIEW Q2/2020

STOCK, IN CONSTRUCTION AND FUTURE DEVELOPMENT

STOCK OF "A" CLASS PREMISES BY DEVELOPER



Highest share on the market has CTP with 36% and more than 3.2 million square meters of modern industrial space, second is P3 with over 1.2 million sqm and third is Prologis with also over 1.2 million sqm.

While CTP doesn't concentrate on one specific region and develops industrial parks all over the country, P3 and Prologis are focusing on Central Bohemian region and Capital of Prague.

The biggest developers by share on total stock account for 80% of total stock in the Czech Republic. This ratio remains more or less constant.

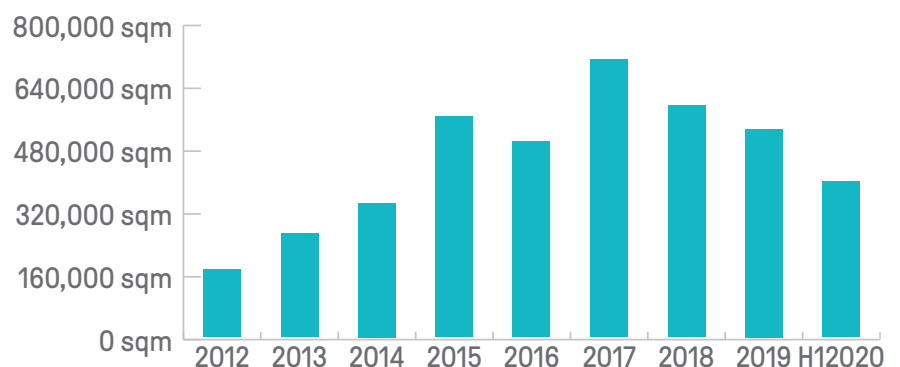
TOP 5 REGIONS BY STOCK

1. Central Bohemian region (3,120,192 sqm)
2. Pilsen region (1,464,455 sqm)
3. South Moravian region (1,101,123 sqm)
4. Moravian-Silesian region (773,163 sqm)
5. Prague region (561,230 sqm)

In Q2/2020 218,457 sqm of new industrial premises were delivered to the market. Large portion of these premises were completed by CTP, for example in CTPark Bor (62,108 sqm) and CTPark Blatnice (11,691 sqm in shell and core).

Completed construction in 2020 reaches 395,684 sqm so far while last year a total of 530,000 sqm was finished in a year. We expect that the downward trend from recent years will be interrupted by 2020 and there will be an increase in completed construction despite the covid-19 pandemic.

COMPLETED CONSTRUCTION



TOP REGIONS BY PLANNED DEVELOPMENT AND BY PROJECTS IN CONSTRUCTION

Prime regions in terms of new construction are Moravian-Silesian region (101,352 sqm) with projects like Ostrava Airport Multimodal Park and Logistics Park Nošovice. Second is Central Bohemian region (92,885 sqm) with Panattoni Park Prague Airport II and P3 Prague D11 as main projects, third is South Moravian region (44,722 sqm) with project of interest being Panattoni Park Brno which is the main project in the region in terms of new construction.

Number one in planned development is Karlovy Vary region (539,908 sqm) followed by Ústí nad Labem region (500,128 sqm) and Pilsen region (484,913 sqm). Borders with Germany offer lower average wages for employers and also a good proximity to supply chains. CTPark Blatnice, CTPark Bor, Panattoni Park Cheb, Panattoni Park Pilsen Digital are among some notable projects in the region.

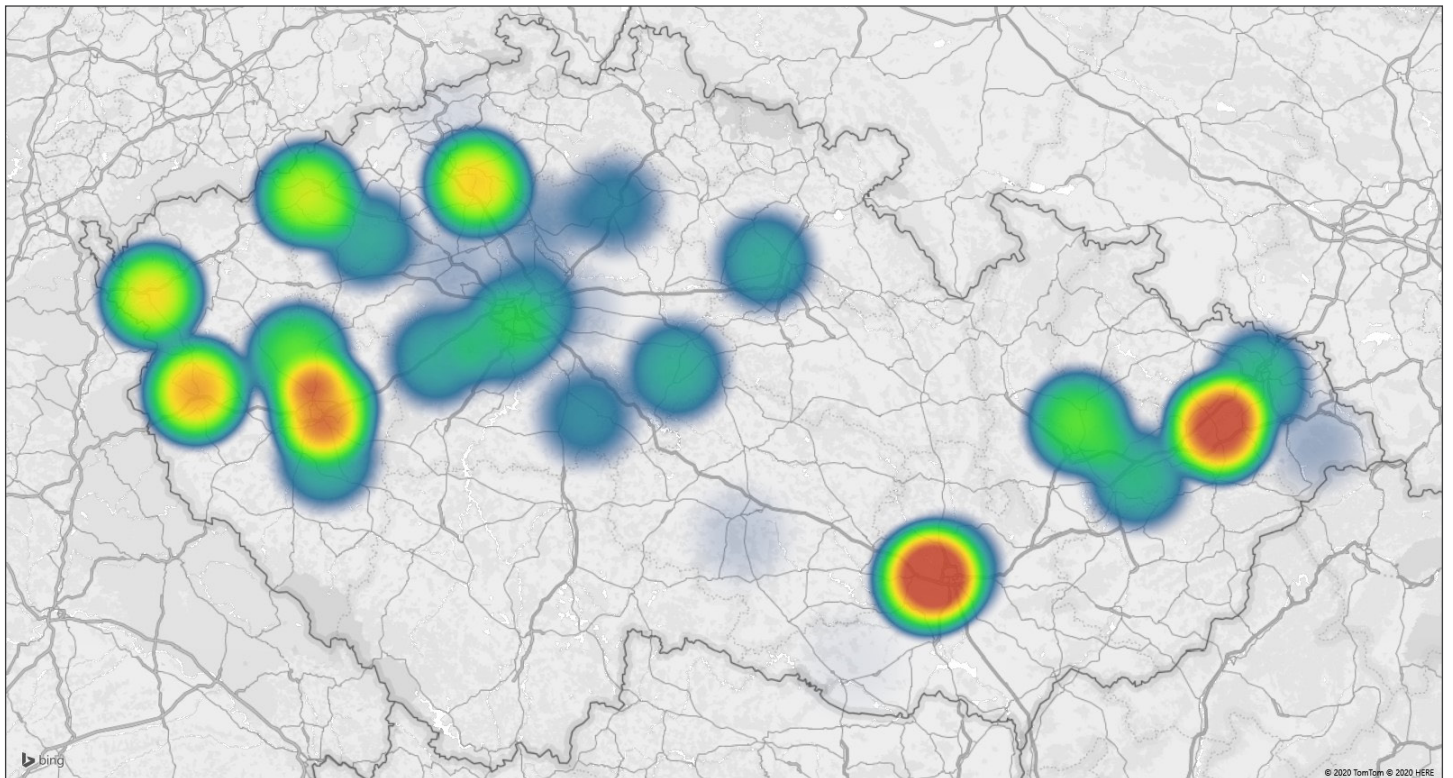
MARKET OVERVIEW Q2/2020

VACANCY OF "A" CLASS PREMISES IN THE CZECH REPUBLIC

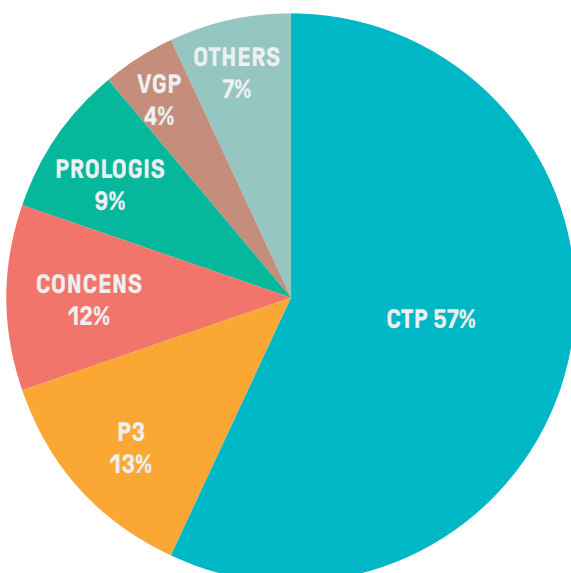
VACANCY IN THE CZECH REPUBLIC BY REGION WITH HEATMAP

In the Q2 of 2020, the highest regional vacancy was in the Pilsen region with 23% (109,143 sqm) thanks to CTPark Bor (40,366 sqm), CTPark Plzeň (18,043 sqm) and other CTP projects. Second is Ústí nad Labem region with 16% (76,101 sqm). Main projects in Ústí being P3 Lovosice and CTPark Kadaň. Third is Moravian-Silesian region with 15% (70,895 sqm).

On the other hand in Liberec region, Pardubice region, South Bohemian region and in Zlín region there were no vacant premises of highest quality in the second quarter and we don't expect a major change in the near future.

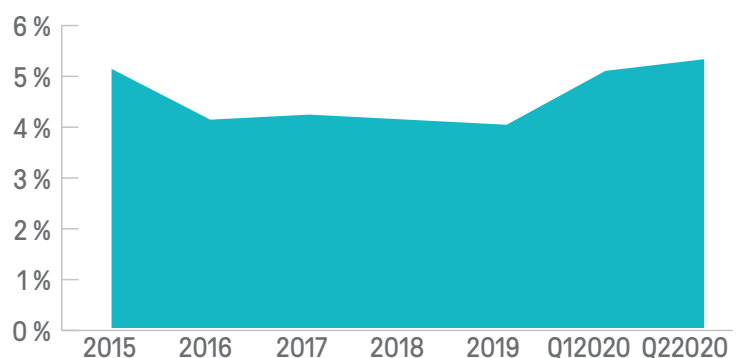


VACANCY BY DEVELOPER



VACANCY STILL RISING AND NOW AT 5.29%

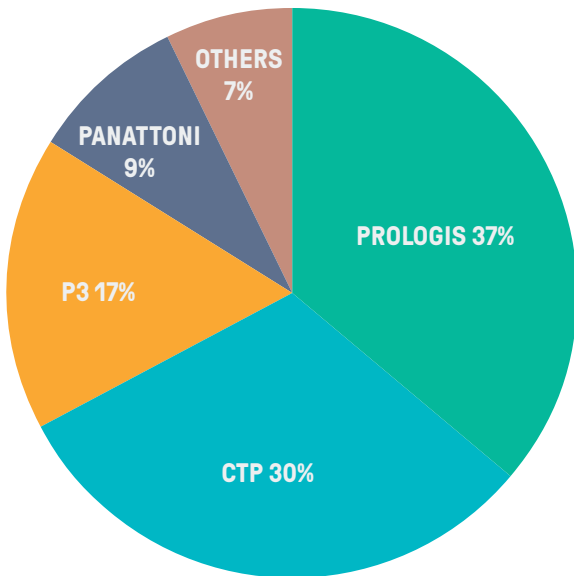
The vacancy of "A" class premises continues to rise and in Q2/2020 reached 5.29%, which is still around longterm average and nowhere near 2014 record of 8.20%. Current trend of rising vacancy is a direct result of strong speculative construction in the past. There are still many projects in development, but we do not expect the vacancy to exceed 6% anytime soon.



MARKET OVERVIEW Q2/2020

TAKE UP AND SIGNIFICANT DEALS

GROSS TAKE UP BY DEVELOPER



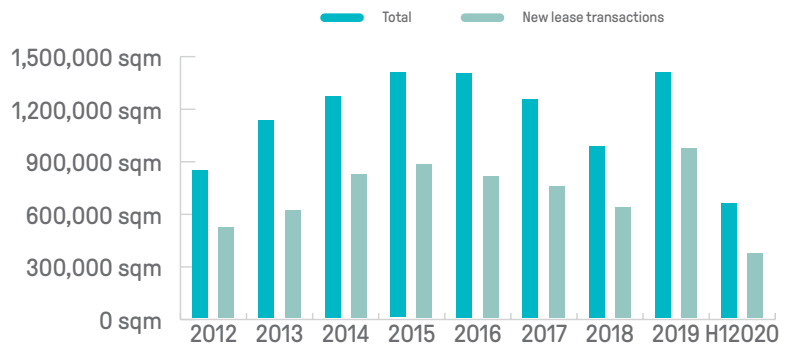
Prologis tops the Q2 gross take up pie chart with over 120K sqm worth of deals, most of which are extensions / renewals. Prologis is followed by CTP with over 108K sqm and by P3 with over 57K sqm. These three account for 84% of the deals in the Q2/2020.

Gross take up in the Czech Republic in the Q2 reached 343,928 sqm and Net take up (excluding prolongations) 218,488 sqm (Gross 655,179 sqm and Net 369,136 sqm in H12020). Most of the deals were concerning premises in Central Bohemian region (133K sqm), Pilsen region (122K sqm) and South Moravian region (26K sqm).

Short term deals accounted for 45,410 sqm and were also located mostly in Central Bohemian region and Pilsen region. Take up naturally follows strong demand for high quality premises around Prague and in regions that border with Germany. With projects currently in construction and other development still in planning phase, it's expected that most of the deals will be concentrating in the regions mentioned above.

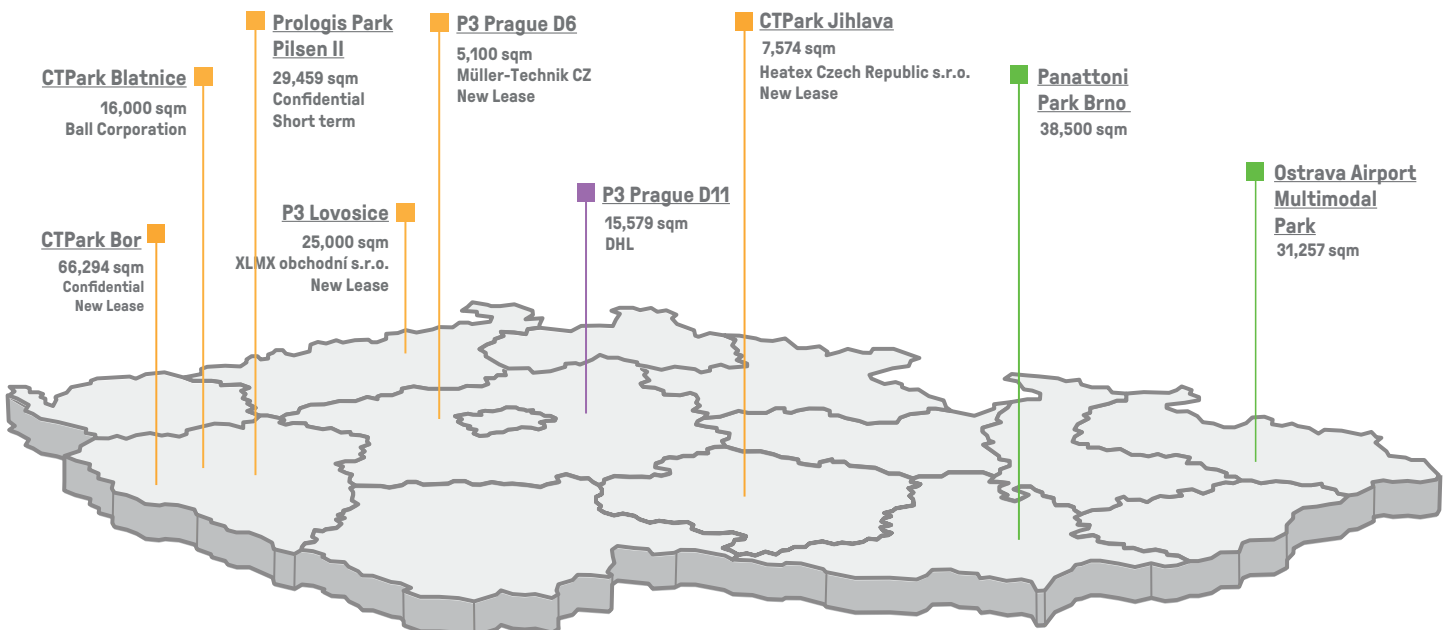
TAKE UP (2012 - H12020)

("Total" includes all closed transactions in the "A" class segment)



SELECTION OF TRANSACTIONS AND CONSTRUCTION

■ significant transactions ■ under construction ■ completed construction



MACROECONOMICS Q2/2020

CURRENT SITUATION AND OUTLOOK

Second quarter of 2020 was significantly affected by COVID-19 with Inflation and unemployment on a rise. Import and export still suffers a major slowdown because of pandemic and there's still no hope for foreign trade going back to normal anytime soon. Czech Statistical office and European Commission expect the GDP of the Czech Republic to drop by -6.2 % in 2020 in its more optimistic scenario. International Monetary Fund is not far behind with its prediction with -6.5 %. Some institutions predict a drop as far as eleven percent. This is a big change from the April forecast of the Ministry of Finance that predicted -5.6 %. Now in the Q3/2020 with preliminary data we already know that GDP went down in Q2/2020 by -10.7% y-o-y what is a historically worst economy performance.

According to the Ministry of Finance, public finances in the Czech Republic will fall into a deficit this year, which corresponds to 5.1 percent of gross domestic product. Last year, they were in surplus of 0.3 percent of GDP. Public debt will rise to 37 percent of GDP from last year's 30.8 percent of GDP.

3.67%
UNEMPLOYMENT
JUNE 2020

-10.7%
GDP (y-o-y)
Q2/2020

3.1%
INFLATION
JUNE 2020

MACROECONOMIC FORECAST OF MINISTRY OF FINANCE

Indicator	2016	2017	2018	2019	2020 forecast	2021 forecast
Gross domestic product (real growth, in %)	2.5	4.4	2.8	2.6	-5.6	3.1
Average inflation rate (in %)	0.7	2.5	2.1	2.8	3.2	1.6
Unemployment rate (average in %)	4.0	2.9	2.2	2.0	3.3	3.5
Exchange rate CZK/EUR	27.0	26.3	25.6	25.7	26.5	26.2

Source: Ministry of Finance of the Czech republic, 2020

Note: Average exchange rate in June 1 EUR = 26.680 EUR (Czech National Bank, 2020)

BUSINESS CYCLE SURVEY - JULY 2020

Czech statistical office announced at the end of July that confidence in the economy has risen sharply (but only in month on month). In Q2, respondents from manufacturing sector estimate they have work secured by contracts for 12.1 months, which is more than in the previous quarter.

But reported limitations to the production growth in industry such as insufficient demand (reported by 22% of respondents), shortage of employees (stated by 37% of respondents) or raw materials/equipment, financial constraints and others are still growing since April. In the construction sector, confidence in the economy slightly increased, m-o-m. Confidence in the construction industry is still significantly lower, y-o-y.

CONTACTS

FEEL FREE TO CONTACT US!

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ABOUT 108 AGENCY

108 AGENCY is a real-estate consulting agency which has been exclusively focused on commercial properties since 2009. Over the years, its nearly thirty-member team has earned the trust of both domestic and foreign clients.

108 AGENCY is the only commercial real-estate company on the market which is one-hundred-percent Czech owned and run. Thanks to the absence of a multinational headquarters, the agency is able to fully devote itself to fulfilling its distinctive approach to clients, which combines experience and expertise with a fair and personal touch.

Since its founding, it has sold and rented more than 5 million square meters, and established a strong position on the Czech and Slovak markets. Clients turn to 108 AGENCY for leasing and sales brokerage, investment and marketing advice, and development product management. Among the clients they most frequently advise are logistical, wholesale, and manufacturing companies, as well as e-commerce firms.

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