

108

REAL ESTATE
AGENCY

INDUSTRIAL PROPERTY MARKET

REPORT Q3/2020

MARKET OVERVIEW Q3/2020

SUMMARY - "A" CLASS PREMISES

9,045,120 ^{SQM}
STOCK

130,167 ^{SQM}
CONSTRUCTION
COMPLETED

387,500 ^{SQM}
IN CONSTRUCTION

AVERAGE RENTS
4.05 - 4.65
EUR/SQM/MONTH

5.52 %
VACANCY

5.50 %
YIELD

The eventful third quarter of 2020 saw dynamic shifts such as GLP and GARBE entering the Czech industrial real estate market, continuing rise of industrial real estate sustainability certifications, new investments into automotive production as well as logistics capacities and many others. The total area of modern industrial space for lease reached over 9.0 mil. square meters. Several projects were delivered, few new projects began to be developed, yet overall stock of A class premises currently in construction remained relatively on the same level. Vacancy rate has risen marginally again and is currently at 5.52 % with 499,426 sqm available on the market in Q3. Half of the available space for lease belongs to CTP.

Situation in Prague and surrounding area remained relatively the same. There continues to be a low vacancy rate and future pipeline of projects doesn't offer sufficient level of new development prospects to accommodate the growth potential. We believe that continuing rise of e-commerce, FMCG and retail demand will stimulate improved cooperation between the business side and local municipalities and other governmental institutions to create additional opportunities for industrial development in this important region.

„The third quarter of 2020 had shown increased activity across the board when companies as well as developers and landlords were catching up after the lockdown in Q2. The demand activity was strong also in the holiday months which shows that businesses are still pursuing their mid-long term objectives despite the current downturn caused by the pandemic. Short term demand remained further on strong, especially in the exposed area of Prague and its surroundings along the major motorways.

We remain cautiously optimistic on the further development of the industrial sector in the Czech Republic and are in full strength and speed looking forward to Q4, which may indicate business pattern to be expected in 2021.”

ROBERT SGARIBOLDI
Head of Industrial Agency

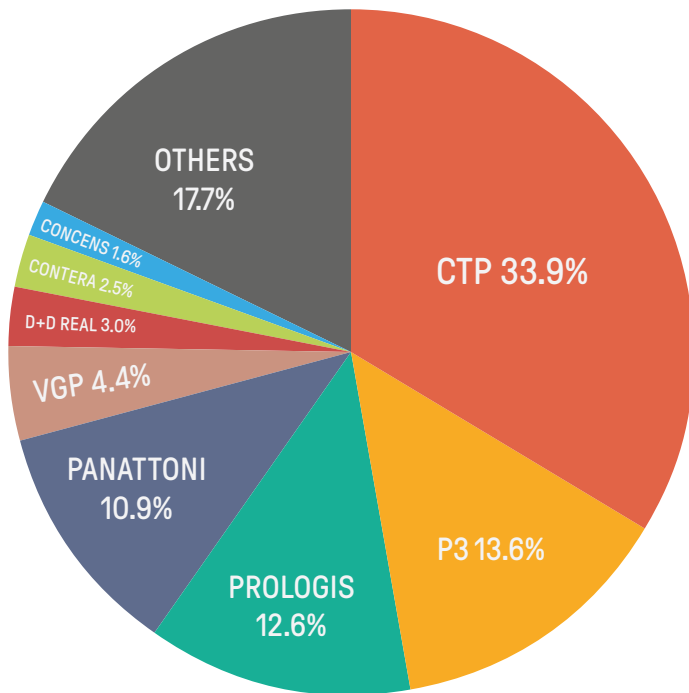


MARKET OVERVIEW Q3/2020

STOCK, IN CONSTRUCTION AND FUTURE DEVELOPMENT

STOCK OF "A" CLASS PREMISES BY DEVELOPER

Who developed existing buildings in the current stock



Highest share on the industrial real estate market for lease by development has CTP with 33.8% and more than 3.1 million square meters of modern industrial space, second is P3 with over 1.2 million sqm and third is Prologis with also over 1.1 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 around 80% of total stock in the Czech Republic. This ratio remains more or less constant.

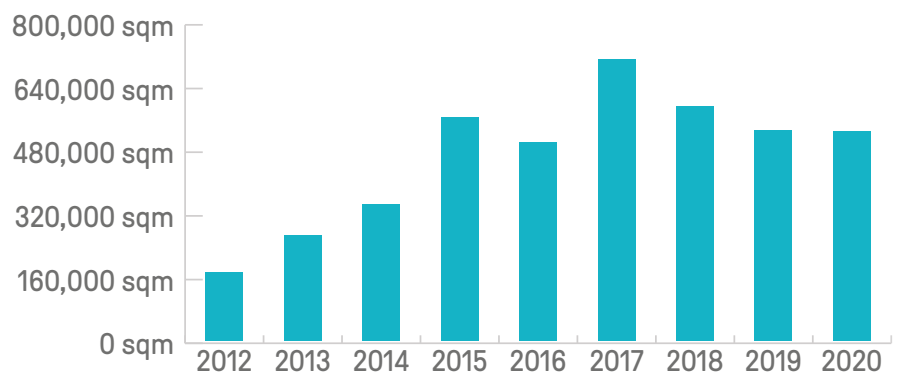
TOP 5 REGIONS BY STOCK

1. Central Bohemian region (3,296,725 sqm)
2. Pilsen region (1,525,553 sqm)
3. South Moravian region (1,128,867 sqm)
4. Moravian-Silesian region (814,883 sqm)
5. Prague region (579,594 sqm)

In Q3/2020 we saw a major slowdown in delivering new high class premises to the market with 130,167 sqm of modern industrial premises completed. Despite the slowdown the completed construction in 2020 so far caught up to the result of 2019.

In 2019 a total of 530K sqm of premium industrial premises were delivered while in Q1 to Q3 in 2020 we saw 525K of new premises delivered. So after several years of decline, we expect a growth yoy in terms of new construction in 2019/2020 period.

COMPLETED CONSTRUCTION



TOP REGIONS BY PLANNED DEVELOPMENT AND NEW PROJECTS IN CONSTRUCTION

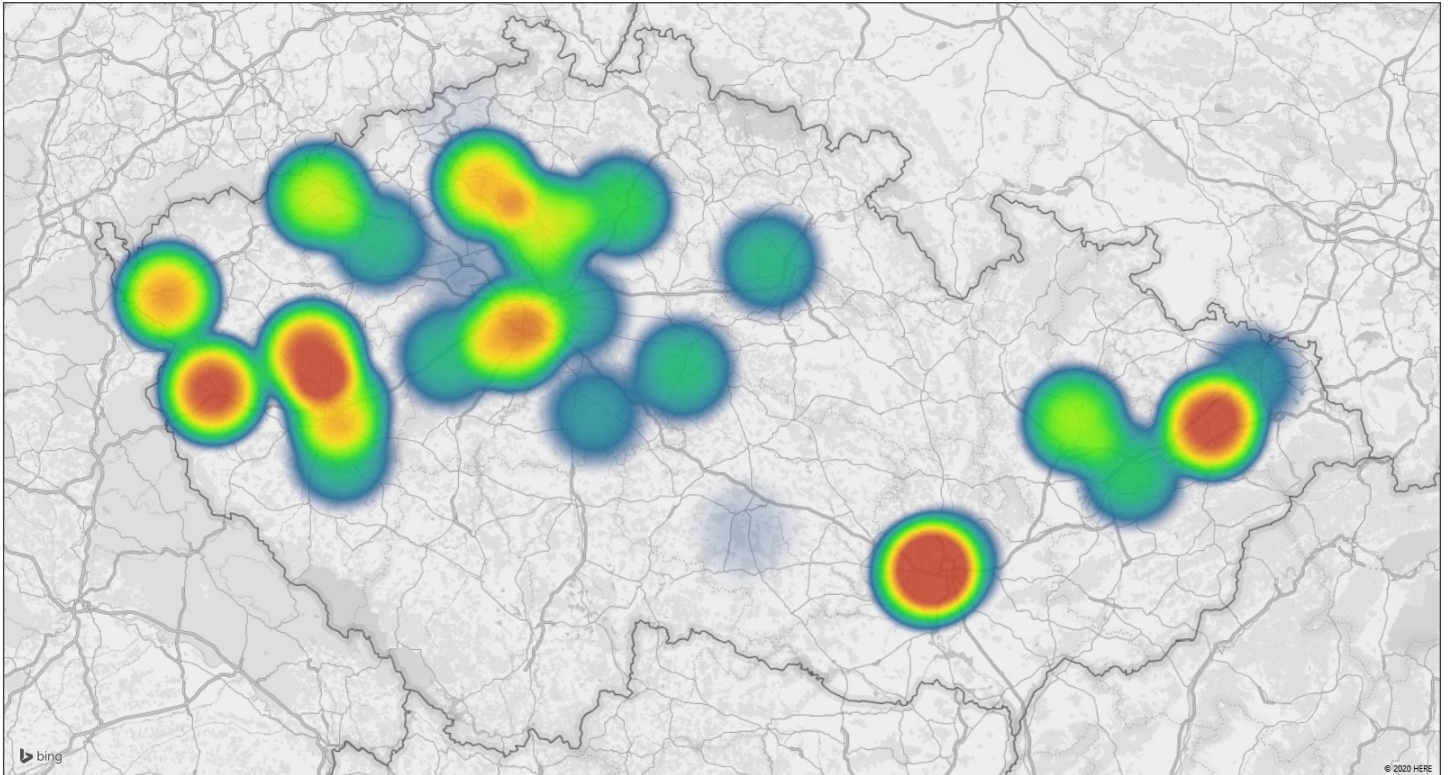
Moravian-Silesian region enters the spotlight once again with GLP acquisition of Goodman and their project GLP Ostrava Hrušov which offers over 90K sqm of new industrial space. Along with Ostrava Airport Multimodal Park (230K sqm after completion) and several CTP projects they make Moravian-Silesian region one of the focal points of the Czech industrial map. Among the focal regions of Czech industrial market there are also Pilsen region with more than 700K sqm for future development with many projects from various developers, Karlovy Vary region with almost 470K sqm of planned industrial premises majority of which is in CTP and Panattoni-Accolade projects and Ústí nad Labem region with over 450K sqm for industrial development with more broad portfolio of developers like CPI, CTP, GARBE, P3 and others. Although logistics sector is considered a critical infrastructure nowadays and many people are dependent on it, we see more and more obstacles for future projects from all sides - state, municipalities and people who live near these sites.

MARKET OVERVIEW Q3/2020

VACANCY OF "A" CLASS PREMISES IN THE CZECH REPUBLIC

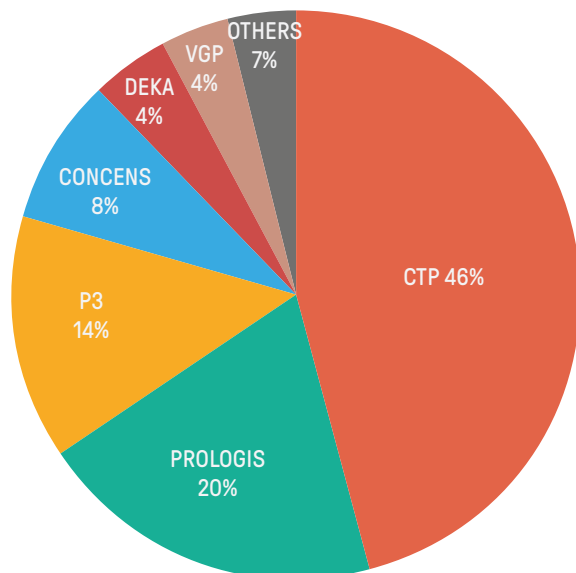
VACANCY IN THE CZECH REPUBLIC BY REGION WITH HEATMAP

In the Q3/2020 vacancy is still highest in the Pilsen region with 120,623 sqm available mainly around Pilsen city and in Tachov. Second is Central Bohemian region with 109,356 sqm available. Largest available units in this region belong to Prologis in Prologis Park Prague-Uzice and Prologis Park Prague-Airport. Third is Ústí nad Labem region mainly thanks to P3 Lovosice and CTPark Kadaň with 66,861 sqm in total available for lease. Three largest available premises are in Ostrava Airport Multimodal Park, CTPark Cheb and again in P3 Lovosice. We expect that vacancy in regional terms will stay pretty much the same in the near future. Total stock available for lease increased by 26,024 sqm qoq and we expect that growth will halt soon.



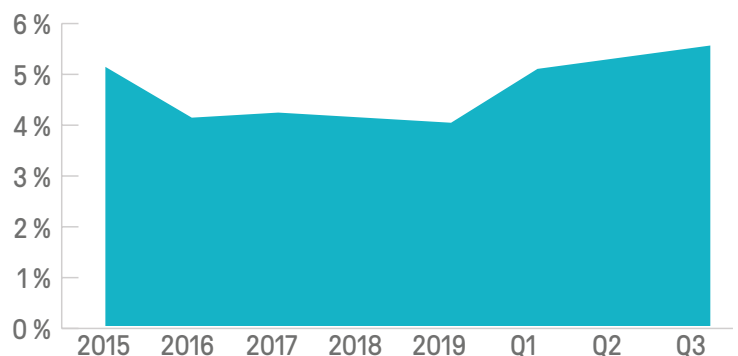
VACANCY SHARE BY DEVELOPER

By current owner of the premises



VACANCY STILL RISING AND NOW AT 5.52%

The vacancy of "A" class premises continues to rise and in Q3/2020 reached 5.52% as construction of new premises catches up to the result of 2019 with one quarter to spare. Speculative construction will continue in Q4/2020, but we ultimately expect a slowdown in rise of vacancy rate. There are still many projects in development, but we do not expect the vacancy to exceed 6% anytime soon.

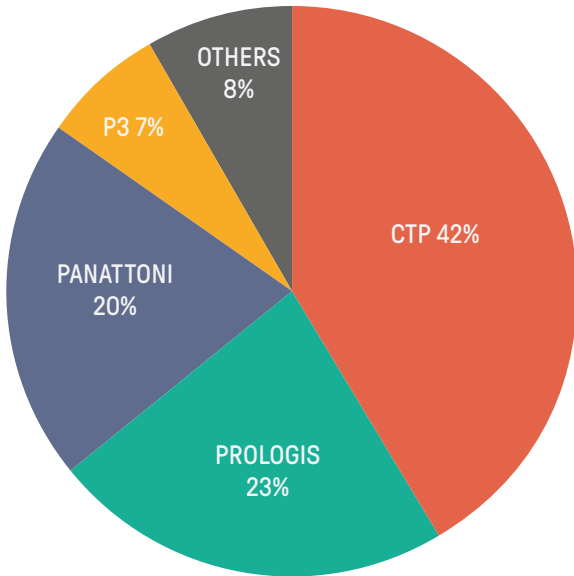


MARKET OVERVIEW Q3/2020

TAKE UP AND SIGNIFICANT DEALS

GROSS TAKE UP SHARE BY DEVELOPER

By current owner of the premises



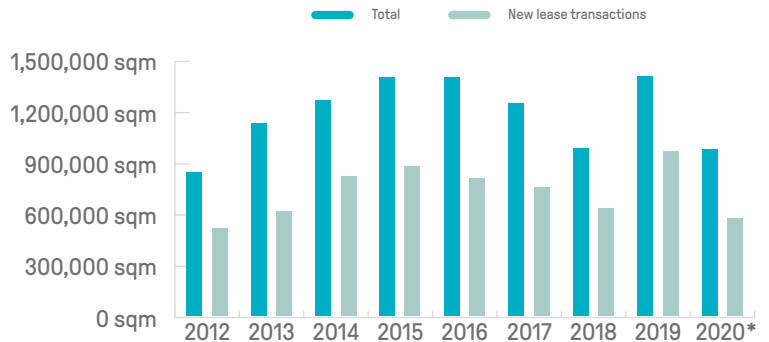
CTP tops the Q3 gross take up pie chart with over 130K sqm worth of transactions, most of which are new leases. CTP is followed by Prologis with over 70K sqm and by Panattoni with over 64K sqm. These three account for 85% of the deals in the Q3/2020. We expect that take up in 2020 won't exceed the numbers from 2019.

Gross take up in the Czech Republic in the Q3 reached 316,948 sqm and Net take up (excluding prolongations) 199,806 sqm (972,127 sqm gross and 555,190 sqm net in Q1-Q3/2020 period). Largest transactions took place in Pilsen region in Prologis and Panattoni premises. Overall Pilsen region share on gross take up in Q3 was 87K sqm. Pilsen region is followed by South Moravian region, Central Bohemian region and Karlovy Vary region in volume of transactions. Short term deals accounted for 43,075 sqm and were located mostly in Central Bohemian region and Pilsen region just as previous quarter. Take up naturally follows strong demand around Prague and in regions that border with Germany. With projects currently in construction and development, it's expected that most of the deals will be concentrating in the regions mentioned above.

TAKE UP (2012 - 2020)

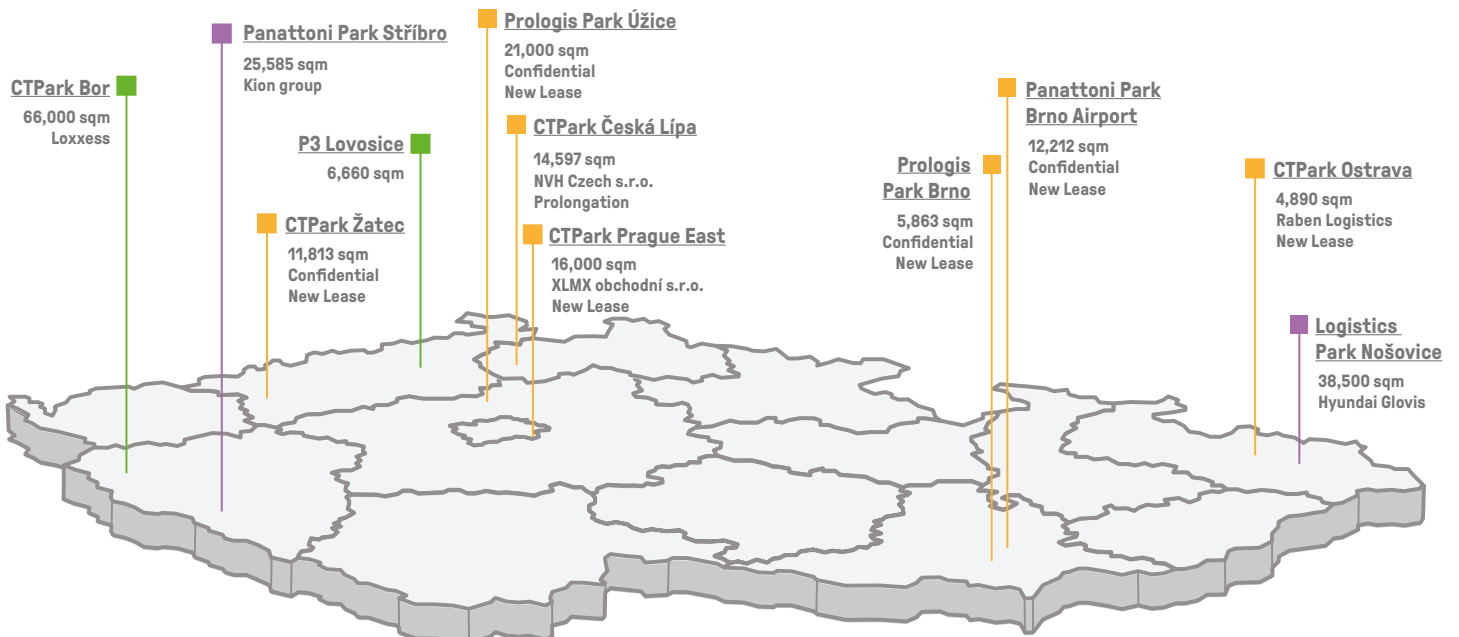
("Total" includes all closed transactions in the "A" class segment)

*Data for Q1 to Q3 of 2020



SELECTION OF TRANSACTIONS AND CONSTRUCTION

■ significant transactions ■ under construction ■ completed construction



MACROECONOMICS Q3/2020

CURRENT SITUATION AND OUTLOOK

Economy continues to suffer as the COVID-19 pandemic still wages and situation in the Czech Republic is getting worse. Although the logistics sector that remains resilient and in past years had become a sort of critical infrastructure in every country, some of the other sectors don't have such a status and are slowly choked by current development. It's unlikely that the expected economic upswing in 2021 will be strong enough to fully compensate for this year losses. Any prediction is subject to major uncertainties. There are many reasons for this uncertainty - development of labour market and its flexibility, how will global production and supply chains will be transformed amidst COVID restrictions, labour productivity future development and restrictions in other countries and how will it affect foreign trade. These are the main variables of the equation.

In Q2 2020, the Czech economy suffered the deepest decline in economic performance in the history of the independent Czech Republic. Seasonally and calendar adjusted real gross domestic product tumbled by 8.7% QoQ and 11.0% YoY. Compared internationally, this is actually a relatively good result, as GDP in the euro area fell by 14.7% YoY.

3.69%
UNEMPLOYMENT
10/2020

-5.8%
GDP (YoY)
Q3/2020

3.3%
INFLATION
09/2020

MACROECONOMIC FORECAST OF MINISTRY OF FINANCE SEPTEMBER 2020

Indicator	2016	2017	2018	2019	2020 forecast	2021 forecast
Gross domestic product (real growth, in %)	2.5	5.2	3.2	2.3	-6.6	3.9
Average inflation rate (in %)	0.7	2.5	2.1	2.8	3.2	1.9
Unemployment rate (average in %)	4.0	2.9	2.2	2.0	2.6	3.4
Exchange rate CZK/EUR	27.0	26.3	25.6	25.7	26.3	25.8

Source: Ministry of Finance of the Czech republic, 2020

Note: Average exchange rate in September 2020, 1 EUR = 26.721 CZK (Czech National Bank, 2020)

CONSTRUCTION IN THE THIRD QUARTER OF 2020

In the Q3 2020, compared to the Q2 2020, the construction output was by 2.3% lower, quarter-on-quarter, in real terms. The construction output decreased by 9.4%, y-o-y. The production in building construction decreased by 10.2%, y-o-y, (contribution -7.2 p.p.) and the production of civil engineering construction decreased by 7.6%, y-o-y (contribution -2.2 p.p.).

The average registered number of employees in construction decreased by 1.7%, y-o-y, in the Q3 2020. Their average gross monthly nominal wage increased by 4.8%, y-o-y, in the Q3 2020. In the Q3 2020, the number of building permits granted remained on the same level as in 2019; the planning and building control authorities granted 22 452 building permits. The approximate value of constructions permitted in the Q3 2020 was CZK 95.9 billion and decreased by 4.1%, compared to that in the corresponding period of 2019.

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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