



108

REAL ESTATE  
AGENCY

# INDUSTRIAL PROPERTY MARKET

REPORT Q4/2020

# MARKET OVERVIEW Q4/2020

## SUMMARY - "A" CLASS PREMISES

9,190,995 <sup>SQM</sup>  
STOCK

83,451 <sup>SQM</sup>  
CONSTRUCTION  
COMPLETED

342,857 <sup>SQM</sup>  
IN CONSTRUCTION

AVERAGE RENTS  
4.07 - 4.76  
EUR/SQM/MONTH

4.94 %  
VACANCY

5.25 %  
YIELD

The Q4/2020 was a quarter of major project announcements in the Moravian-Silesian region and continuing COVID restrictions. Major drop in vacancy took it back under five percent with vacancy now being 4.94 % and 454,575 sq m of modern industrial space now available. Completed construction reached 83,451 sq m and projects currently in construction reached 342,857 sq m. Total stock reached at the end of 2020 9,190,995 sq m. With projects currently in planning phase the stock has a potential to reach 14 mil. sq m in the future. Rents slightly increased in Q4 and we expect them to rise steadily in the upcoming year.

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 in order to create additional opportunities for industrial development in this important region.

„In Q4 of 2020 the Moravia region was defined by significant developer activity and by tenants high expectations. Many projects already announced were joined by new projects by P3 and Panattoni which made Moravian-Silesian region one of the hotspots on the country's industrial map. Amount of available premises exceeds the demand and it will be interesting to follow price development. Turn of the year brought an optimistic outlook thanks to an extreme growing number of inquiries and consultations from tenants. Such an opportunity to lease under advantageous conditions won't be repeated in the Moravian region. For these reasons I dare to say that year 2021 will be positive from point of view of tenants and for the market as a whole.”

MARTIN NENIČKA  
Consultant

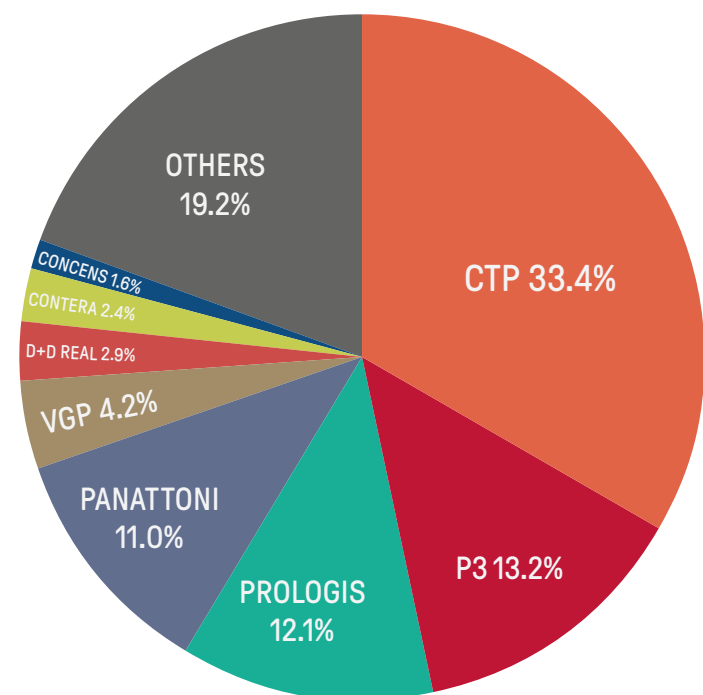


# MARKET OVERVIEW Q4/2020

## 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 33.4% and more than 3.2 million sq m of modern industrial space, second is P3 with over 1.26 million sqm and third is Prologis with also over 1.16 million sq m.

While CTP does not focus on one specific region and builds industrial parks throughout the Czech Republic, other developers specialize more in certain regions.

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.

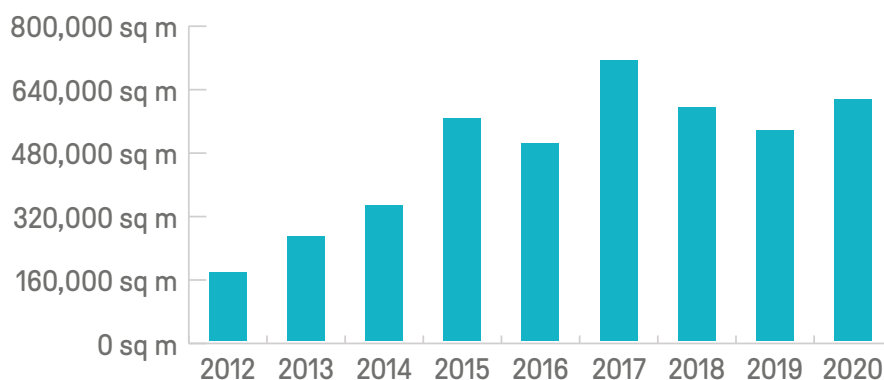
### TOP 5 REGIONS BY STOCK

1. Central Bohemian region (3,347,746 sq m)
2. Pilsen region (1,515,669 sq m)
3. South Moravian region (1,156,754 sq m)
4. Moravian-Silesian region (848,365 sq m)
5. Prague region (583,094 sq m)

In Q4/2020 we saw a further slowdown in delivering new high class premises to the market with 83,451 sq m of modern industrial premises completed. Despite the slowdown the completed construction in 2020 overcame that in 2019 even with economy slowing down.

In 2019 a total of 530K sqm of premium industrial premises were delivered while in 2020 we saw over 609k of new premises delivered. So after several years of decline, the completed construction segment saw a growth y-o-y in 2019/2020 period.

### COMPLETED CONSTRUCTION



### TOP REGIONS BY PLANNED DEVELOPMENT AND NEW PROJECTS IN CONSTRUCTION

Moravian-Silesian region stays in the spotlight with projects announced by P3 in Vítkovice and Panattoni in Mošnov at the end of the year. P3 Ostrava Vítkovice announced in Q4/2020 will offer 160,000 sqm for logistics, e-commerce, showrooms, light manufacturing and offices purposes. Construction is expected to begin at the end of year 2021 and total park completion around 2025. Panattoni project in Mošnov was announced at the end of the year in December and will in future offer over 115K sqm of industrial space. In combination with projects by GLP, CONCENS, CONTERA and CTP the Moravian-Silesian region is 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.

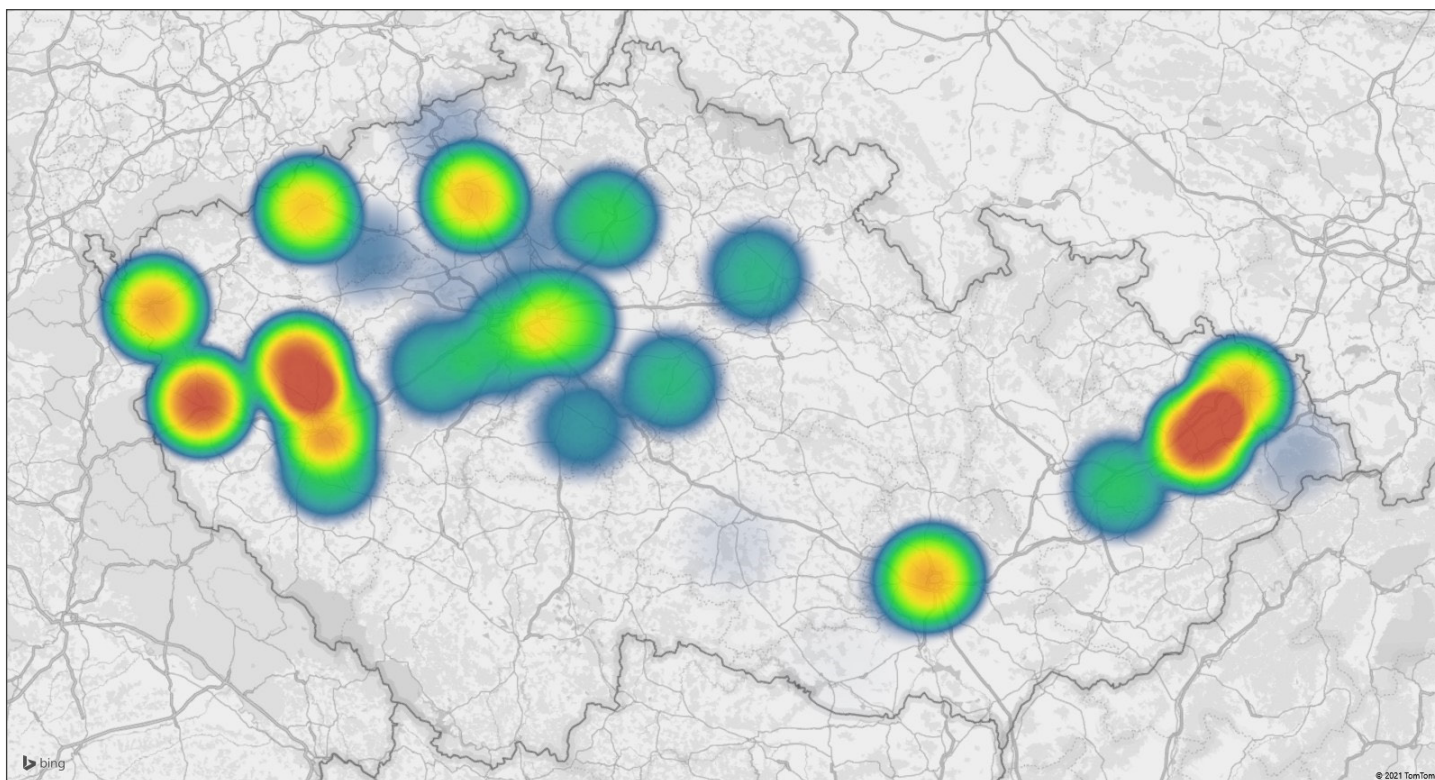


# MARKET OVERVIEW Q4/2020

## VACANCY OF “A” CLASS PREMISES IN THE CZECH REPUBLIC

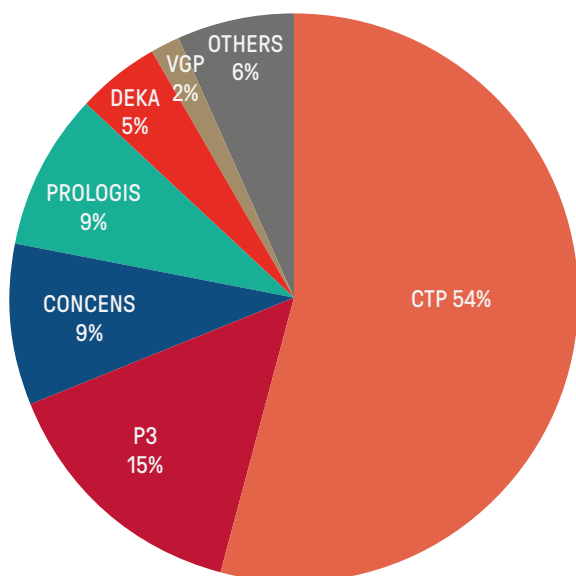
### VACANCY IN THE CZECH REPUBLIC BY REGION WITH HEATMAP

In the Q4/2020 vacancy is still highest in the Pilsen region with 122,345 sq m available mainly around Pilsen city and in Tachov. Second is Moravian-Silesian region with 81,200 sq m available. Largest available units in this region are in Ostrava Airport Multimodal Park and CTPark Ostrava Poruba. Third is Central Bohemian region with 79,933 sq m with largest variety in terms of number of available premises and size variety. Three largest available premises are again in Ostrava Airport Multimodal Park, CTPark Cheb and in P3 Lovosice. We expect that vacancy in regional terms will stay pretty much the same in the near future. Total absolute vacancy rate is 454,575 sq m in the fourth quarter of 2020.



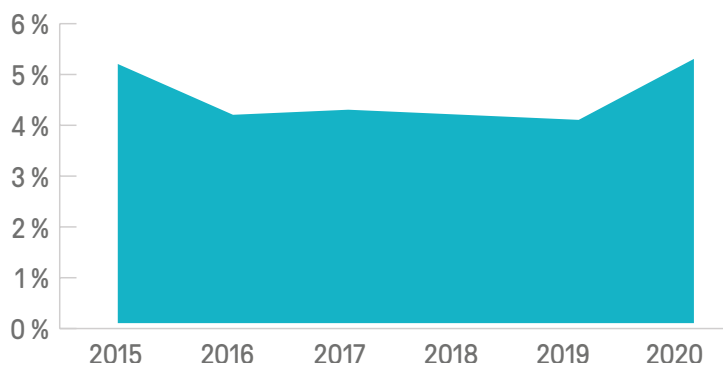
### VACANCY SHARE BY OWNER

Share on vacancy rate by developers currently owning the premises



### VACANCY DROPPED AND NOW AT 4.94%

The vacancy of “A” class premises halts its rise after several months and in Q4/2020 reached only 4.94% as newly constructed premises are finding their tenants. Average vacancy in 2020 was 5.20% which is above long term average. We expect a stagnation of vacancy rate around 5% mark. There are still many projects in development and we do not expect the vacancy rate to exceed any major milestone anytime soon.

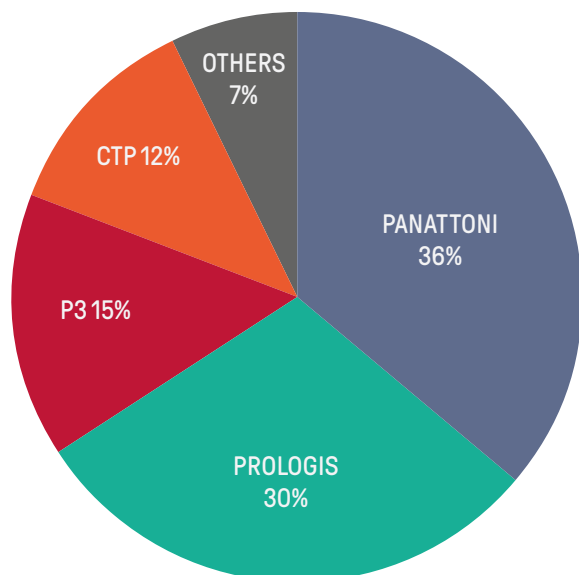


# MARKET OVERVIEW Q4/2020

## TAKE UP AND SIGNIFICANT DEALS

### GROSS TAKE UP SHARE BY DEVELOPER

By current owner of the premises, Q4/2020

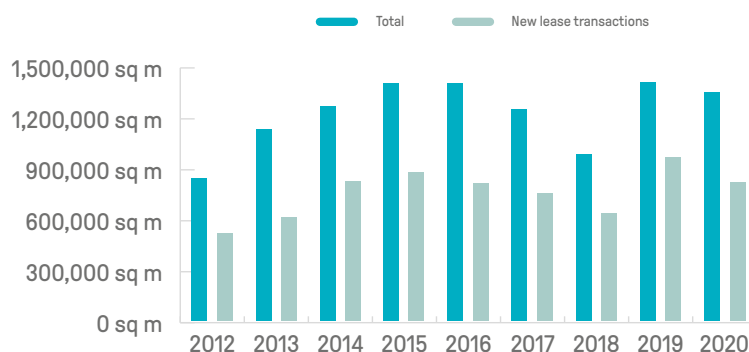


Panattoni tops the gross take up pie chart with over 89K sq m worth of transactions. Prologis is 2nd with over 73K sq m and 3rd is P3 with over 37K sq m. These first three account for 81% of the deals in the Q4/2020. Gross take up in 2020 almost matched that of 2019 and was ahead of 2017 and 2018 despite the pandemic.

Gross take up in the Czech Republic in the Q4 reached 409,082 sq m and Net take up (excluding prolongations) 247,489 sq m (1,345,099 sq m gross and 815,173 sq m net in 2020). Largest transactions took place in Pilsen and Central Bohemian region in Panattoni and Prologis premises. Overall Central Bohemian region's share on gross take up in Q4 was over 114k sq m. Central Bohemia is followed by Pilsen region, South Moravian region and Liberec region in volume of transactions. Short term deals accounted for 21,305 sq m and were located mostly in Central Bohemian region, Pilsen region and Usti region. 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.

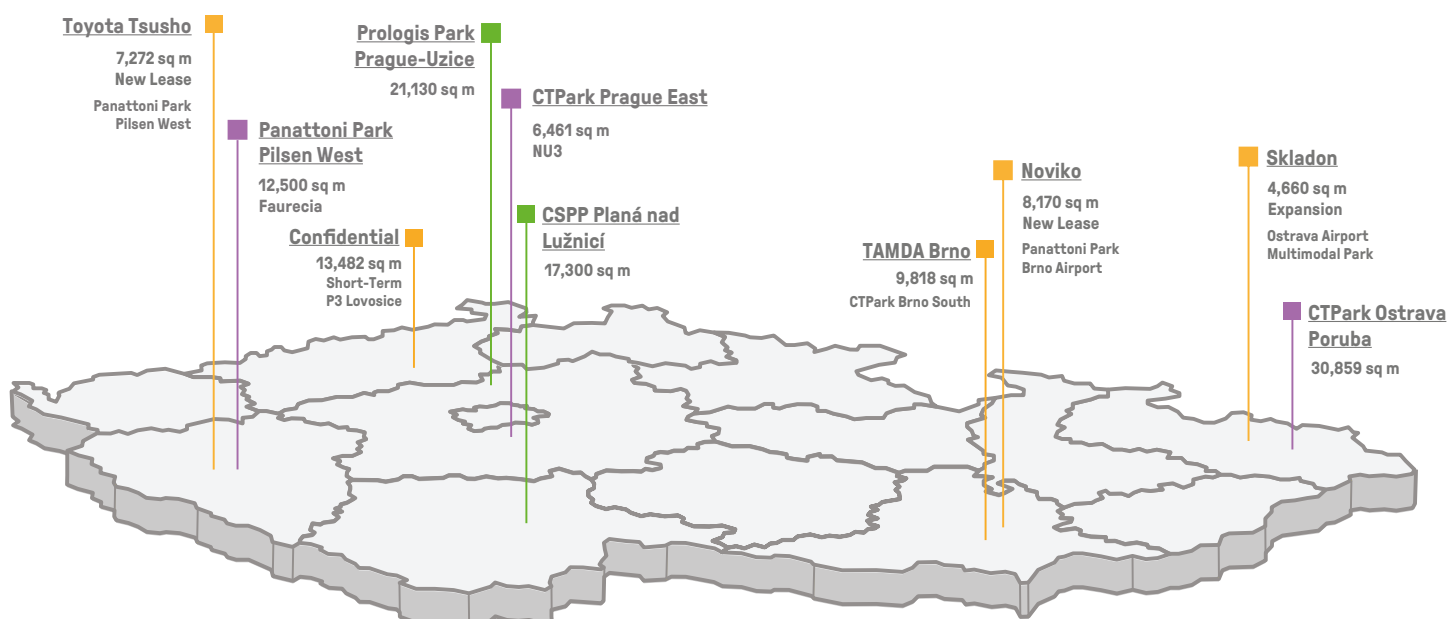
### TAKE UP (2012 - 2020)

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



## SELECTION OF TRANSACTIONS AND CONSTRUCTION

■ significant transactions ■ under construction ■ completed construction



# MACROECONOMICS Q4/2020

## CURRENT SITUATION AND OUTLOOK

According to macroeconomic forecast of ministry of finance the economic output went down by 6.1% in 2020 as a whole. Unemployment steadily increased and at the end of December reached 4.0%. The average inflation rate in 2020 was 3.2%. Seasonally adjusted industrial production in the Q4 2020 increased by 3.8% compared to the Q3 2020. In the year-on-year comparison, it increased by 0.8%. The value of new orders in selected industrial CZ-NACE activities increased by 5.5%, y-o-y, in the Q4 2020. Non-domestic new orders increased by 6.6%, while domestic new orders increased by 3.3%. The average registered number of employees in industry decreased by 3.8%, y-o-y, in the Q4 2020. Their average gross monthly nominal wage increased by 4.0%, y-o-y, in the Q4 2020.

Economic growth in 2021 could reach 3.1% on the back of the projected improvement in the epidemic situation following the COVID-19 vaccination roll-out and the forecast recovery abroad. Any predictions are subject to great uncertainty depending on the restrictions in relation to pandemic. The potential economic growth and subsequent economy's recovery will depend on when exactly the restrictions will be lifted.

**4.01%**  
**UNEMPLOYMENT**  
**12/2020**

**-5.0%**  
**GDP (YoY)**  
**Q4/2020**

**3.2%**  
**INFLATION**  
**12/2020**

### MACROECONOMIC FORECAST OF MINISTRY OF FINANCE JANUARY 2021

Indicator	2016	2017	2018	2019	2020 forecast	2021 forecast
Gross domestic product (real growth, in %)	2.5	5.2	3.2	2.3	-6.1	3.1
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	3.3
Exchange rate CZK/EUR	27.0	26.3	25.6	25.7	26.4	26.1

Source: Ministry of Finance of the Czech republic, 2021

Note: Average exchange rate in December 2020, 1 EUR = 26.312 CZK (Czech National Bank, 2021)

### CONSTRUCTION IN THE FOURTH QUARTER OF 2020

In the Q4 2020, the construction output was by 1.9% lower in real terms compared to the Q3 2020. In the year-on-year comparison, the construction output decreased by 10.3%. The production in building construction decreased by 13.7% y-o-y. The average registered number of employees in construction decreased by 1.7%, y-o-y, in the Q4 2020. Their average gross monthly nominal wage increased by 4.9%, y-o-y, in the Q4 2020.

In the Q4 2020, the number of building permits granted decreased by 1.2%, y-o-y; the planning and building control authorities granted 21 577 building permits. The approximate value of constructions permitted in the Q4 2020 was CZK 103.3 billion; compared to the corresponding period of 2019 it decreased by 10.8%.

# 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 over 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 7 million square meters, and established a strong position on the Czech, Slovak and Hungarian 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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