



108

REAL ESTATE
AGENCY

INDUSTRIAL PROPERTY MARKET

REPORT Q1/2021

MARKET OVERVIEW Q1/2021

SUMMARY - "A" CLASS PREMISES

9,287,324^{SQM}
STOCK

47,046^{SQM}
COMPLETED
CONSTRUCTION

465,088^{SQM}
IN CONSTRUCTION

AVERAGE RENTS
4.20 - 5.50
EUR/SQM/MONTH

4.07 %
VACANCY

5.25 %
YIELD

In the first quarter of 2021 we saw a continuing drop in vacancy rate caused by slow depletion of the market. For example in Greater Prague region there will be only a limited number of newly built premises within the next two years. Vacancy in this region (including Prague-west and Prague-east districts) reached only 0.55 % with 15,285 sq m which is a historical record. Total current stock in Greater Prague is over 2.8 mil. sq m and considering the supply and demand, this region needs exactly what Ostrava is experiencing right now.

Completed construction reached 47,046 sq m and projects currently in construction equal a total of 465,088 sq m. Total stock of modern industrial premises for lease reached 9,287,324 sq m. Although many projects are being announced and it seems like the market is healthy, it is still plagued by long permitting processes, reluctance by the public and by lack of new options in areas with most demand. This is in contrast to situation in neighboring states, especially Poland.

„Modern industrial premises in Q1/2021 in Prague and surrounding districts, were pushed to their limits to fulfill tenants needs. There is not enough of new development in the area, so the prices are skyrocketing around the capital. Rising sectors like e-commerce and fulfilment centres don't have enough room to grow as fast as they could given more options. Municipalities divided approach to industrial development creates many imbalances between regions. Most recently between Central Bohemian region and Moravian-Silesian region. Tenants must look for their new premises years ahead to begin operations on schedule. This problem is one of many brakes, that indirectly hinders faster economic recovery.”

JAKUB HOLEC
CEO

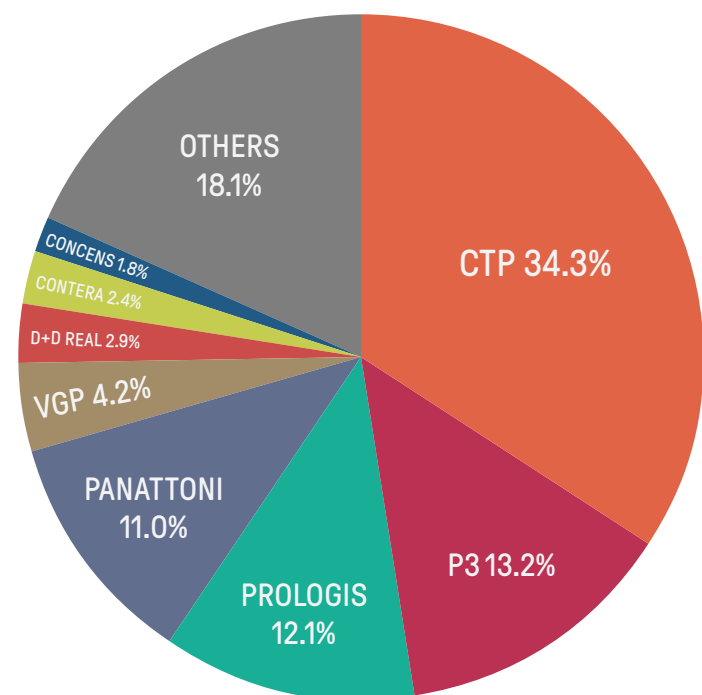


MARKET OVERVIEW Q1/2021

STOCK, IN CONSTRUCTION AND FUTURE DEVELOPMENT

STOCK OF "A" CLASS PREMISES BY DEVELOPER

Who developed buildings in the current stock (as of this quarter) of premises for lease



Highest share on the industrial real estate market for lease by development has CTP with 34.3% and more than 3.2 million sq m, second is P3 with over 1.26 million sqm and third is Prologis with also over 1.16 million sq m.

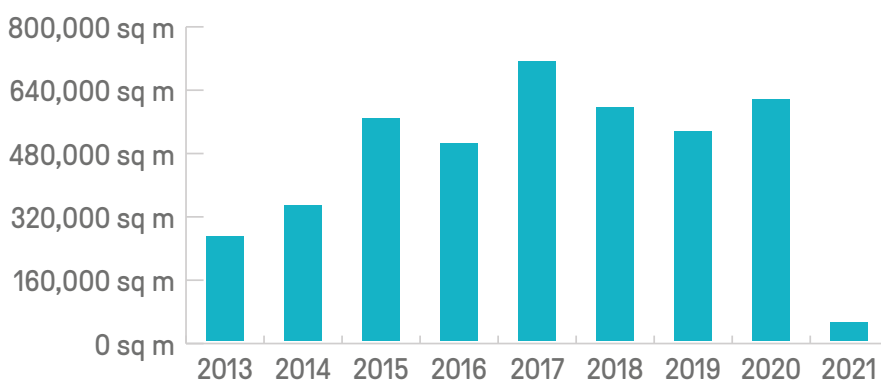
While CTP does not focus on one specific region and builds industrial parks throughout the Czech Republic, other developers specialize more in certain regions. The biggest developers by share account for around 80% of total stock of industrial premises for lease in the Czech Republic. This ratio remains more or less constant.

TOP 5 REGIONS BY STOCK

1. Central Bohemian region (3,347,641 sq m)
2. Pilsen region (1,611,867 sq m)
3. South Moravian region (1,152,835 sq m)
4. Moravian-Silesian region (870,741 sq m)
5. Prague region (583,094 sq m)

In Q1/2021 construction activity in terms of completed construction slowed down significantly in comparison to previous year. Only 47,046 sq m of new premises were delivered to the market. Severe winter in combination with poor development of covid pandemic in first three months of 2021 are among the main factors. Despite this a number of projects have started groundworks and it's expected that construction activities will pick up the pace later on this year.

COMPLETED CONSTRUCTION (2013 - Q1/2021)



TOP REGIONS BY PLANNED DEVELOPMENT AND NEW PROJECTS IN CONSTRUCTION

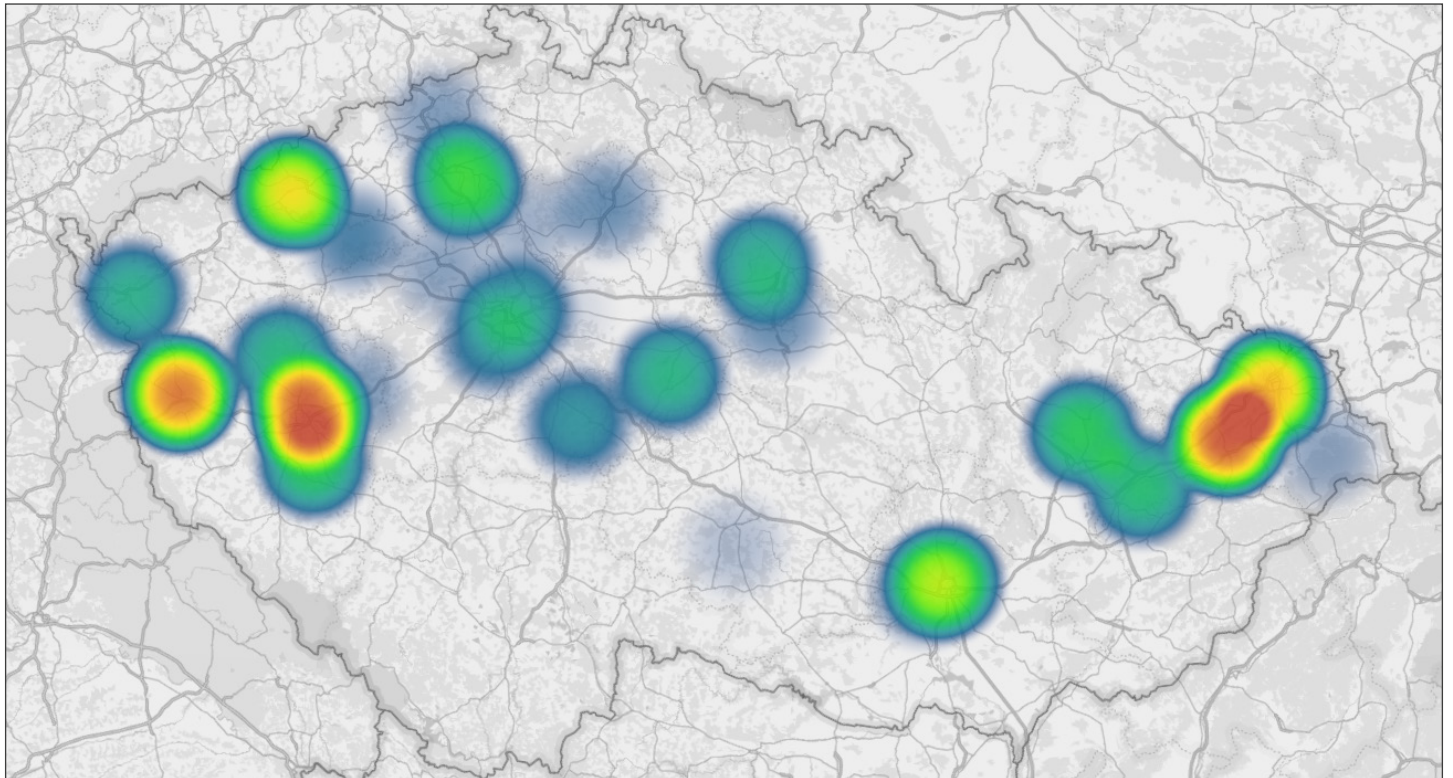
Once again Moravian-Silesian region drew all attention with beginning of construction in Contera Park Ostrava D1. Sportissimo, one of the largest retailers in Czech Republic will move its logistics base of operation from outskirts of Prague to Ostrava. The warehouse with an area of 90,000 square meters and height up to 23 m will be one of the largest in the country after its completion in July 2022. In Greater Prague there are currently 327,890 sq m of planned premises (various stage of permitting) which is again in strong contrast to other regions when considering supply and demand. Even though Greater Prague is one of the most important markets, there are currently only 32,444 sq m in construction, some of which are already taken. Situation in regions remains the same with Pilsen, Karlovy Vary and Usti region having the highest amount of planned future projects.

MARKET OVERVIEW Q1/2021

VACANCY OF "A" CLASS PREMISES IN THE CZECH REPUBLIC

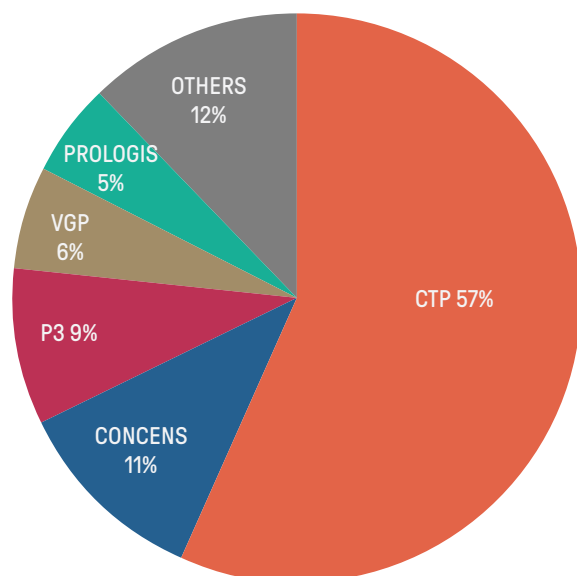
VACANCY IN THE CZECH REPUBLIC BY REGION WITH HEATMAP

Regional differences are more and more highlighted by decreasing number of available premises, increasing rents and other factors. Vacancy in the Czech Republic reached 4.07% (378,378 sq m) in Q1/2021 when including shell and core premises. Without shell and core premises the vacancy reached only 3.03% (281,796 sq m) in the entire Czech Republic. Top three regions are Pilsen region with 110,012 sq m, Moravian-Silesian region with 81,200 sq m and Usti region with 54,241 sq m available for lease. Capital of Prague which is among the most lucrative markets could offer only less than eight thousand sq m of completed premises for lease.



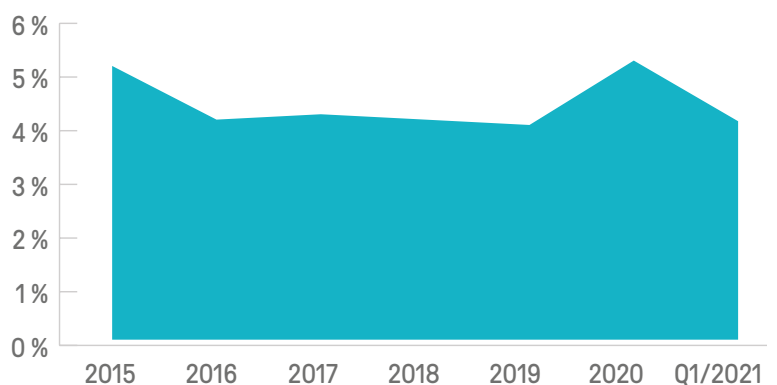
SHARE ON TOTAL VACANCY BY OWNER

Share on vacancy rate by developers currently owning the premises



VACANCY DROPPED AGAIN AND NOW AT 4.07%

The vacancy of "A" class premises drops again and in Q1/2021 reached only 4.07% as premises are finding their tenants. Given the current state of the market we expect that vacancy will continue to drop. Premises are often leased before they are constructed which means that they won't contribute to the overall vacancy once they are completed.

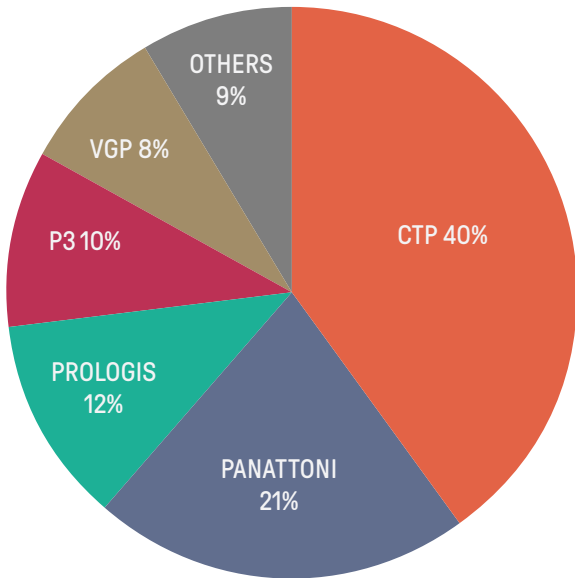


MARKET OVERVIEW Q1/2021

TAKE UP, SIGNIFICANT DEALS AND AVERAGE RENTS

GROSS TAKE UP SHARE BY DEVELOPER

By current owner of the premises, Q1/2021



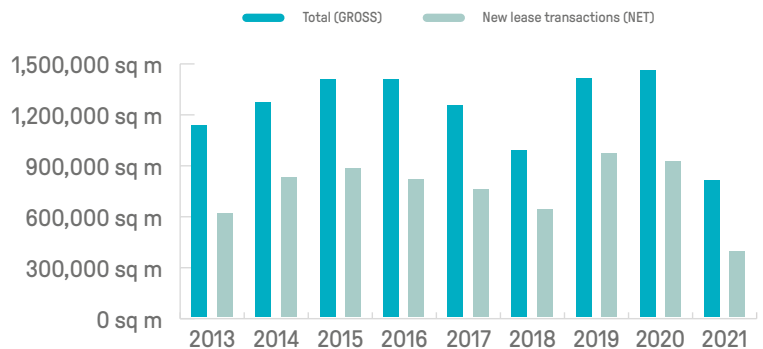
CTP tops the take up pie chart with over 320K sq m worth of transactions. Panattoni is 2nd with over 171K sq m and 3rd is Prologis with over 94K sq m. First three account for 73% of the deals in the Q1/2021. Gross take up in the Q1 almost matched the NET take up from 2020.

Gross take up in the Czech Republic in the Q1 reached 802,731 sq m and Net take up (excluding prolongations) 383,646 sq m. Largest transaction took place in Panattoni Park Cheb where company Tchibo renewed their lease and also expanded. Combined it makes for over 100k sq m of premium industrial premises.

Most transactions were signed in South Moravian region with 228,240 sq m. Second is Central Bohemian region with 143,753 sq m and third is Pilsen region with 134,749 sqm. Short term deals accounted for only 19,438 sq m. Short term deals are less and less utilized and their share is getting lower with each quarter since Q2/2020.

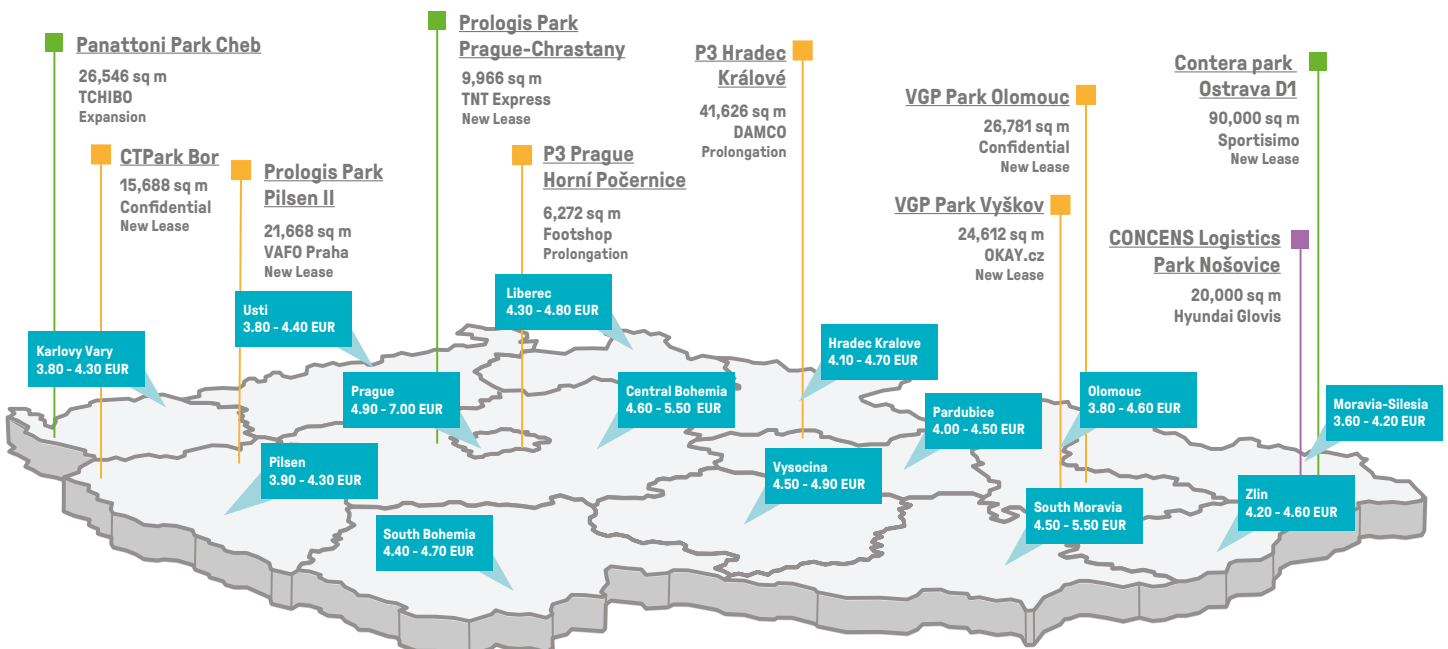
TAKE UP (2013 - Q1/2021)

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



SELECTION OF TRANSACTIONS AND RANGE OF RENTS

■ significant transactions ■ under construction ■ completed construction



MACROECONOMICS Q1/2021

CURRENT SITUATION AND OUTLOOK

Although the initial assumption of economic downturn of -6.1% turned out not to be true, it still reached -4.8% (Czech Statistical Office and Ministry of Finance state different numbers) and is historically number one. Economic crisis in 2009 falls short only by tenth of a percent with -4.7%. Future of the economy will depend on COVID pandemic and how quickly and efficiently will the government be able to resolve the situation. The 3.1% increase in economic output forecast this year should be driven by gross fixed capital formation, inventory rebuilding, and government consumption. The foreign trade balance should also be positive, thanks to the recovery in other countries. By contrast, household consumption should be more or less flat. Economic growth could accelerate to 3.7% in 2022, mainly on the strength of a rebound in private consumption. Critical factors will be the speed and efficiency of the vaccination process and how effective the vaccines are in the face of new coronavirus mutations.

4.23%
UNEMPLOYMENT
03/2021

-2.1%
GDP (YoY)
Q1/2021

2.8%
INFLATION
03/2021

MACROECONOMIC FORECAST OF MINISTRY OF FINANCE APRIL 2021

Indicator	2017	2018	2019	2020	2021 forecast	2022 forecast
Gross domestic product (real growth. in %)	5.2	3.2	2.3	-5.6	3.1	3.7
Average inflation rate (in %)	2.5	2.1	2.8	3.2	2.5	2.3
Unemployment rate (average in %)	2.9	2.2	2.0	2.6	3.6	3.7
Exchange rate CZK/EUR	26.3	25.6	25.7	26.4	25.9	25.5

Source: Ministry of Finance of the Czech republic, 2021

Note: Average exchange rate in March 2021, 1 EUR = 26.179 CZK (Czech National Bank, 2021)

CONSTRUCTION SECTOR IN THE Q1/2021

In February 2021, the construction output decreased by 11.0%, year-on-year, in real terms (in January 2021, the construction output decreased by 5.2%, year-on-year). It was lower by 3.0%, month-on-month. The average registered number of employees in construction decreased by 1.8%, year-on-year, in February 2021. Their average gross monthly nominal wage increased by 3.5%, year-on-year, in February 2021. The planning and building control authorities granted 6,144 building permits in February 2021 it was by 3.3% less year-on-year. The planning and building control authorities granted less building permits in February however, the approximate value of the permitted constructions increased by a third, after several rather big constructions of transport infrastructure were permitted.

METHODOLOGY

DATA COLLECTION AND EVALUATION GUIDELINES

We always try to meet all criteria set by this methodology, but in some ways we are limited by different approaches/ methodologies of developers and other subjects we collect our data from. Please always pay attention to what type of data are you looking at - timing (current state or development over time), criteria (developer/owner) and so on. We always strive towards reports as accurate as they can be. For questions regarding our methodology please use email address michal.bily@108agency.cz.

A+		<ul style="list-style-type: none">- Clear height 12 m and higher- Must meet BREEAM certification at least „Very Good“- Direct access and hydraulic docks- Heavy load flooring: 5 ton/sq m- Built after year 2010- Must have heating
AI (A-Logistics)		<ul style="list-style-type: none">- Clear height 10 m and higher- Heavy load flooring: 5 ton/sq m- Built after year 2000- Must have heating
Ao (A-Others)		<ul style="list-style-type: none">- Clear height below 10 m- Built after year 1995- Must have heating
B		<ul style="list-style-type: none">- Height does not matter- Built before year 1995- Must have heating
C		<ul style="list-style-type: none">- Built before 1995- Does not have heating

Standardization table on the left sets rules for assigning certain standard to a industrial building in our statistics. The class "A" is further segmentized to better navigate the statistics and pinpoint trends. Although we have this segmentation we only present data for the entire "A" class standard. If you are interested in more detailed data please contact us.

We collect data directly from the developers on a regular basis. We combine hard data with insight and experience of our consultants to reach the optimal balance between plain interpretation of numbers and transferring experience from the field.

GENERAL GUIDELINES

- New construction is marked by erecting the first pillar at the construction site and ends by obtaining certificate of occupancy.
- Dating of transaction is always based on the quarter in which it was signed not announced to the public (if we are able to specify it). All transactions are included in the following categories: 1. manufacturing, 2. logistics/warehousing, 3. retail/e-commerce and 4. other. In case the transaction is marked by developer as confidential we include it into the category OTHER.
- Vacancy rate is calculated from available spaces in finished and shell and core buildings (vacancy without shell and core buildings is mentioned separately) based on quarterly reports received from the developers. Heatmap on page 4 is derived from district based data.
- All macroeconomic data are taken from the Czech Statistical Office and the Ministry of Finance of the Czech Republic.
- B and C class premises are not currently monitored and they are not included in this report, we are considering adding them in the future.

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.

PROUD MEMBER OF



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OF REAL ESTATE