



108

REAL ESTATE
AGENCY

INDUSTRIAL PROPERTY MARKET

REPORT Q2/2021

MARKET OVERVIEW Q2/2021

SUMMARY - "A" CLASS PREMISES

9,332,118 ^{SQM}

TOTAL
STOCK

71,748 ^{SQM}

COMPLETED
CONSTRUCTION

549,446 ^{SQM}

IN
CONSTRUCTION

AVERAGE RENTS
4.20 - 5.50
EUR/SQM/MONTH

2.72%
VACANCY

4.75%
YIELD

In the second quarter of the 2021 the total stock of industrial premises for lease reached 9,332,118 sq m. 549,446 sq m were in construction and 71,748 sq m delivered to the market. Based on all the known announcements by developers the total stock of "A" class premises for lease could in future surpass 15.6 mil. sq m. Most of this potential is concentrated in Pilsen region, Usti region and Central Bohemian region. More and more we are seeing growing differences between regions in terms of prices, options, supply and demand

Vacancy reached its all time low with only 2.72% of premises available with shell and core premises included. This represents 254,105 sq m across the entire Czech Republic. New premises currently in construction are mostly not being constructed speculatively so it's expected that this shortage of available space will last for some time. Without shell and core premises the vacancy reached only 2.01% and Greater Prague region reached only 0.04%.

„Increased industrial market activity influences all aspects of tenants decision making process. Factors such as record gross take-up in first half of the year, continuing rise of prices of construction materials, lengthening of handout process and completion of the building and extremely low vacancy of industrial premises for lease is shifting the market to more and more competitive environment among tenants. Swift and decisive decision making is becoming more and more crucial to successful launch of operation. Even though developers responded to this situation with major increase in premises currently in construction, the prime markets such as Prague and Brno still have very limited supply of new options for tenants.”

MICHAL BÍLÝ
Research Analyst

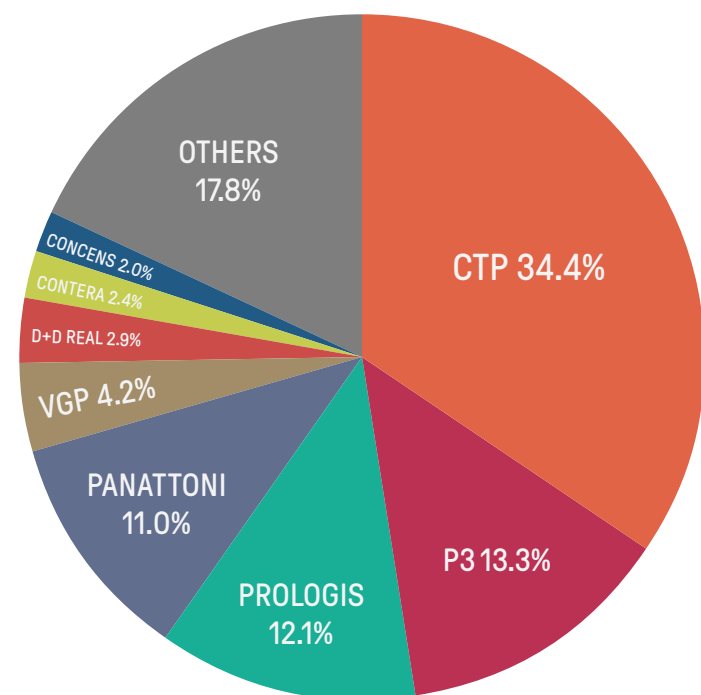


MARKET OVERVIEW Q2/2021

STOCK, IN CONSTRUCTION AND FUTURE DEVELOPMENT

STOCK OF "A" CLASS PREMISES BY DEVELOPMENT

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 3.3 million sq m, second is P3 with over 1.27 million sq m and third is Prologis with also over 1.16 million sq m.

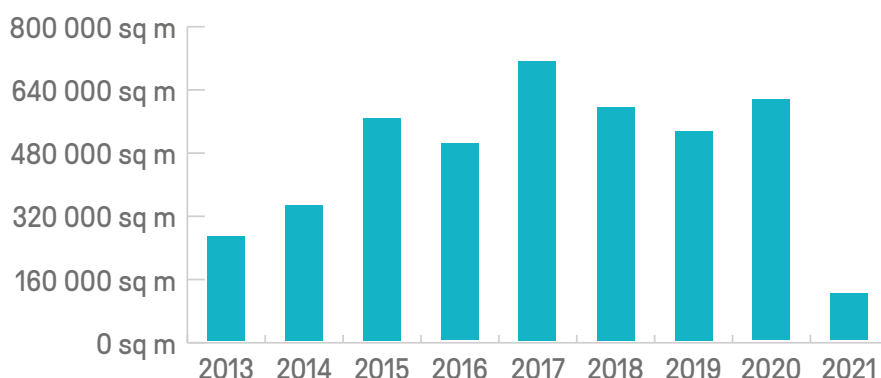
While CTP does not focus on one specific region and builds industrial parks throughout the Czech Republic, other developers specialize more in certain regions. The biggest developers by share account for around 80% of total stock of industrial premises for lease in the Czech Republic. This ratio remains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

TOP 5 REGIONS BY STOCK

1. Central Bohemian region (3,351,411 sq m)
2. Pilsen region (1,615,196 sq m)
3. South Moravian region (1,151,246 sq m)
4. Moravian-Silesian region (893,844 sq m)
5. Prague region (551,430 sq m)

In Q2/2021 construction activity slightly increased with 71,748 sq m delivered to the market. Although it is an increase compared to the Q1/2021, it is still a decline compared to the same period last year. Last year was however influenced by contracts signed before the covid-19 pandemic. First two quarters of 2021 are below average in terms of premises delivered to the market, but this can change the next quarter as we are experiencing a spike in construction activity.

COMPLETED CONSTRUCTION (2013 - H1/2021)



TOP REGIONS BY PLANNED DEVELOPMENT AND NEW PROJECTS IN CONSTRUCTION

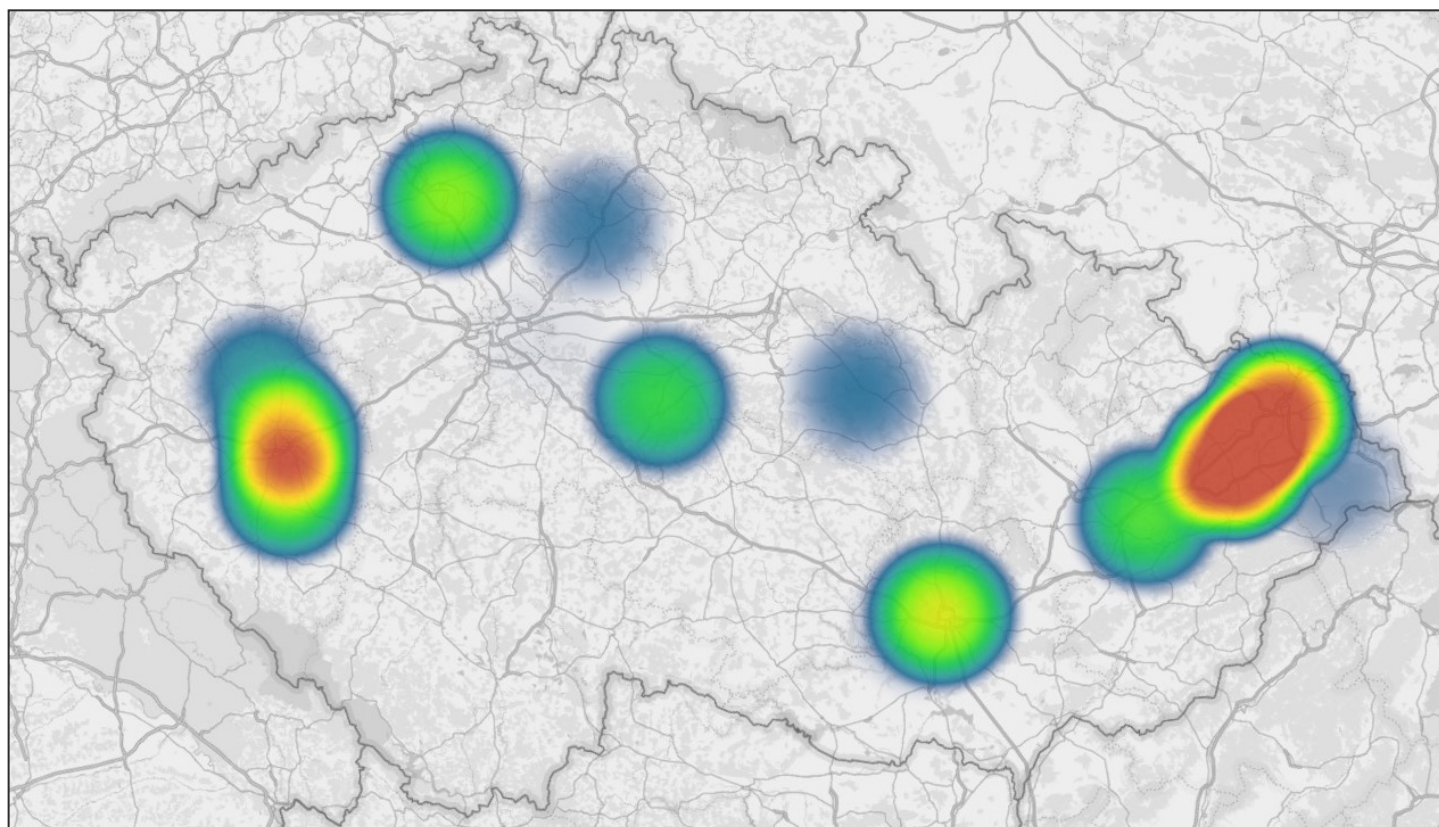
Most of the projects in planning phase are located in the Pilsen region with 919k sq m, second is the Usti region with over 818k sq m and third is the Central Bohemian region with over 720k sq m. In the Greater Prague region there is around 250k sq m of planned projects and 64k sq m in construction which is an increase since the first quarter, but the premises are mostly already leased before completion. Majority of premises in construction were in the Central Bohemian region with 156k sq m, the Moravian-Silesian region with 102k sqm and the South Moravian region with 93k sq m. The least amount of announced industrial projects is in the Pardubice Region, the Hradec Králové Region, the Zlín Region, and the Vysočina Region. Regional differences are more and more highlighted by decreasing number of available premises. These premises are not being replaced by new projects with sufficient speed.

MARKET OVERVIEW Q2/2021

VACANCY OF “A” CLASS PREMISES IN THE CZECH REPUBLIC

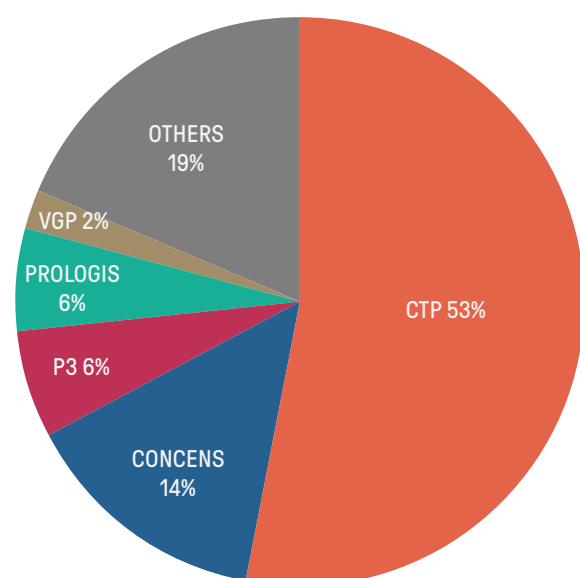
VACANCY IN THE CZECH REPUBLIC BY REGION WITH HEATMAP

In Q2/2021 the differences between regions were highlighted even further with a lot of premises currently unavailable and fully rented. Vacancy in the Czech Republic reached 2.72% (254,105 sq m) with shell and core premises included. Without them the vacancy reached only 2.01% (188,246 sq m) in the entire Czech Republic. Top three regions are Pilsen region with 74,867 sq m, Moravian-Silesian region with 71,954 sq m and Usti region with 48,882 sq m available for lease. Capital of Prague is practically devoid of any available premises.



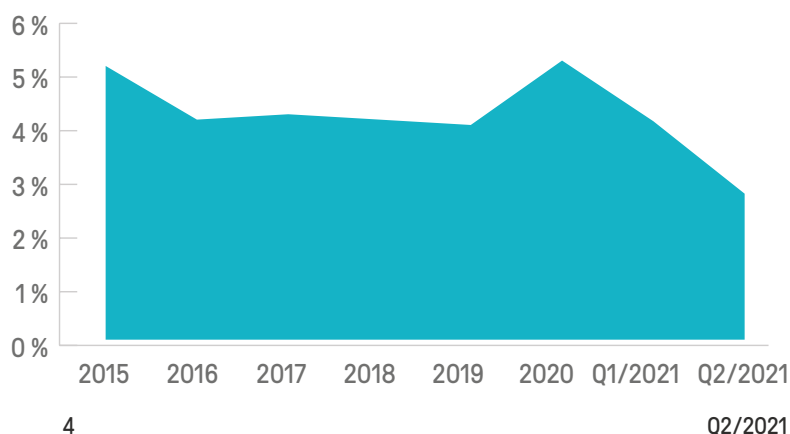
SHARE ON TOTAL VACANCY BY OWNER

Share on vacancy rate by developers currently owning the premises



VACANCY DROPPED SIGNIFICANTLY TO 2.72%

The vacancy of “A” class premises drops again and in Q2/2021 reached only 2.72% as premises are finding their tenants. Given the current state of the market we expect that vacancy won't drop by significant amount for some time. Many projects are being prepared and some are in construction so the vacancy should stagnate for one or two quarters.

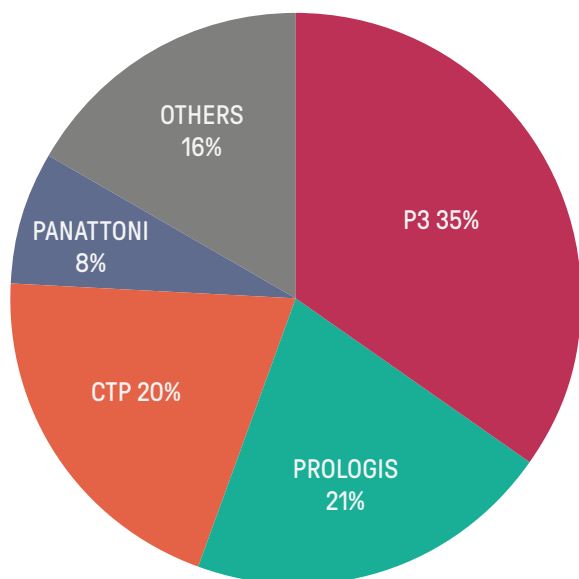


MARKET OVERVIEW Q2/2021

TAKE UP, SIGNIFICANT DEALS AND AVERAGE RENTS

GROSS TAKE UP SHARE BY DEVELOPER

By current owner of the premises, Q1/2021



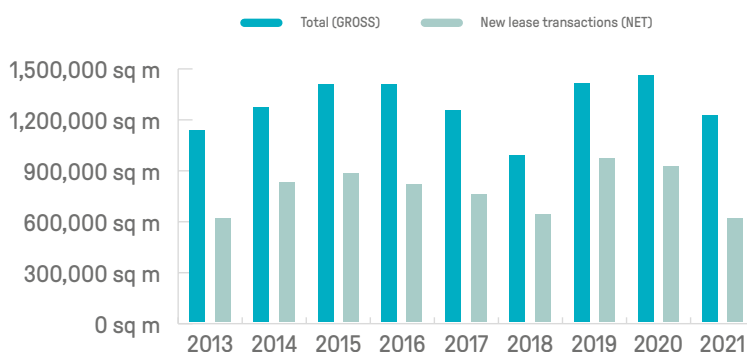
P3 tops the take up pie chart with over 143k sq m worth of transactions. Prologis is 2nd with over 85k sq m and 3rd is CTP with over 83k sq m. First three account for 76% of the deals in the Q2/2021. In terms of gross take up the year 2021 is heading for a record.

Gross take up in the Czech Republic in the Q2 reached 412,037 sq m and Net take up (excluding prolongations) 285,122 sq m. Largest transactions took place in P3 Lovosice where company FM ČESKÁ, s.r.o. renewed their lease and also expanded. Combined it makes for over 60k sq m of premium industrial premises.

Most transactions were signed in Central Bohemian region with 137,280 sq m. Second is Usti region with 77,569 sq m and third is Pilsen region with 69,395 sqm. Short term deals accounted for only 32,612 sq m. Short term deals are less and less utilized and their share is gradually getting lower.

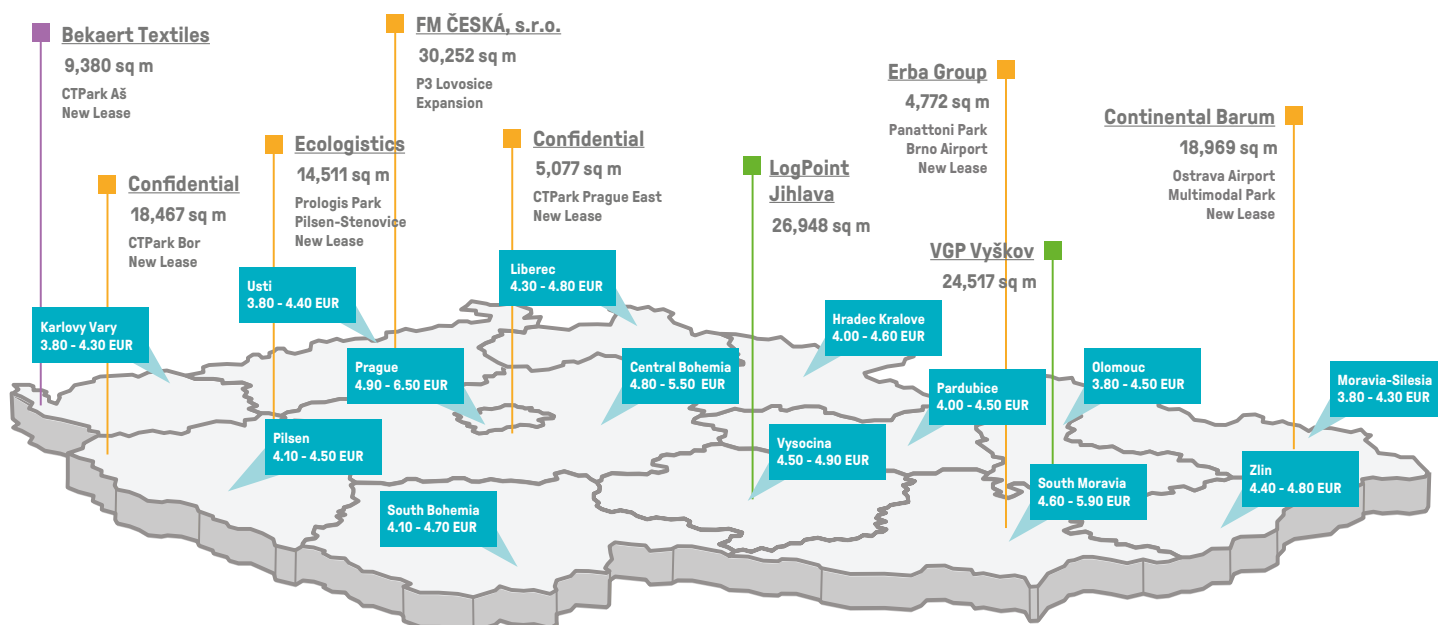
TAKE UP (2013 - H1/2021)

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



SELECTION OF TRANSACTIONS AND RANGE OF RENTS

■ significant transactions ■ under construction ■ completed construction



MACROECONOMICS Q2/2021

CURRENT SITUATION AND OUTLOOK

As vaccination against COVID-19 is steadily progressing, the prediction of Ministry of Finance of the Czech Republic that economy should start to recover from covid related restrictions sometime in the third quarter takes shape. 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. Economic growth could accelerate to 3.7% in 2022, mainly on the strength of a rebound in private consumption. The year-on-year inflation should remain in the upper half of the inflation target's tolerance band. For 2021, we expect an average inflation rate of 2.5%. This increase in the forecast is mainly underpinned by higher oil and food prices. In 2022, in the absence of more substantial inflationary factors – aside from the recovery in household consumption – the inflation rate could ease to 2.3%.

3.72%
UNEMPLOYMENT
06/2021

-2.4%
GDP (YoY)
Q1/2021

2.8%
INFLATION
06/2021

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 June 2021, 1 EUR = 25.454 CZK (Czech National Bank, 2021)

CONSTRUCTION SECTOR IN MAY 2021

In May 2021, the construction output increased by 5.8% y-o-y, in real terms. It was higher by 3.0% m-o-m. The planning and building control authorities granted by 15.1% more building permits y-o-y. The approximate value of permitted constructions increased by 1.2% y-o-y. The average registered number of employees in construction decreased by 0.2% y-o-y in May 2021. Their average gross monthly nominal wage increased by 8.7% y-o-y in May 2021. The planning and building control authorities granted 8,777 building permits in May 2021. The approximate value of the permitted constructions reached CZK 36.6 billion and compared to the corresponding period of 2020 it increased by 1.2%.

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 7.7 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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