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REPORT Q4/2021

Industrial property market

MARKET OVERVIEW Q4/2021

SUMMARY

9,780,667 SQ M

TOTAL
STOCK

142,130 SQ M

COMPLETED
CONSTRUCTION

803,087 SQ M

IN
CONSTRUCTION

AVERAGE RENTS
4.40 - 5.50
EUR/SQ M/MONTH

1.63%
VACANCY

4.15%
YIELD

- Stock of "A" class industrial premises for lease reached 9,780,667 sq m and with current project pipeline we expect that 10 mil. mark will be reached in Q2/2022. 142,130 sq m were delivered to the market. Q4 performed the best in the total amount of completed premises, but overall year 2021 underperforms in comparison to 2020.
- There are currently 803,087 sq m in construction. With each quarter the pipeline of projects currently in construction rises as supply is trying to meet demand. Largest project currently in construction is Panattoni park Kojetín for Amazon.
- Vacancy rate dropped to a historical low of 1.63% with only 159,415 sq m available on the market. Almost two thirds are in the Moravian-Silesian region. If we do not count shell and core premises vacancy rate dropped to only 0.7%!
- Rising rents, almost no available premises and increased competitive business environment amplified by pandemic and subsequent fight for customers combined with ongoing lack of employees are defining current industrial business climate in the Czech Republic.

„As vacancy rate dropped again, it reached a record value, which suggests problems for many companies that will need vacant industrial space in the first half of 2022. However we expect that rising speculative construction should partially help solve this issue in the second half of 2022. Strong demand from tenants is expected to continue throughout the year which underlines a need for swift approval and implementation of the new building act. Without a smoother approval process, it will not be possible to meet demand given current situation. Even though current legislation makes everything harder, developers are doing their best, so that their clients can continue in their grow.”

MICHAL BÍLÝ
Research Analyst

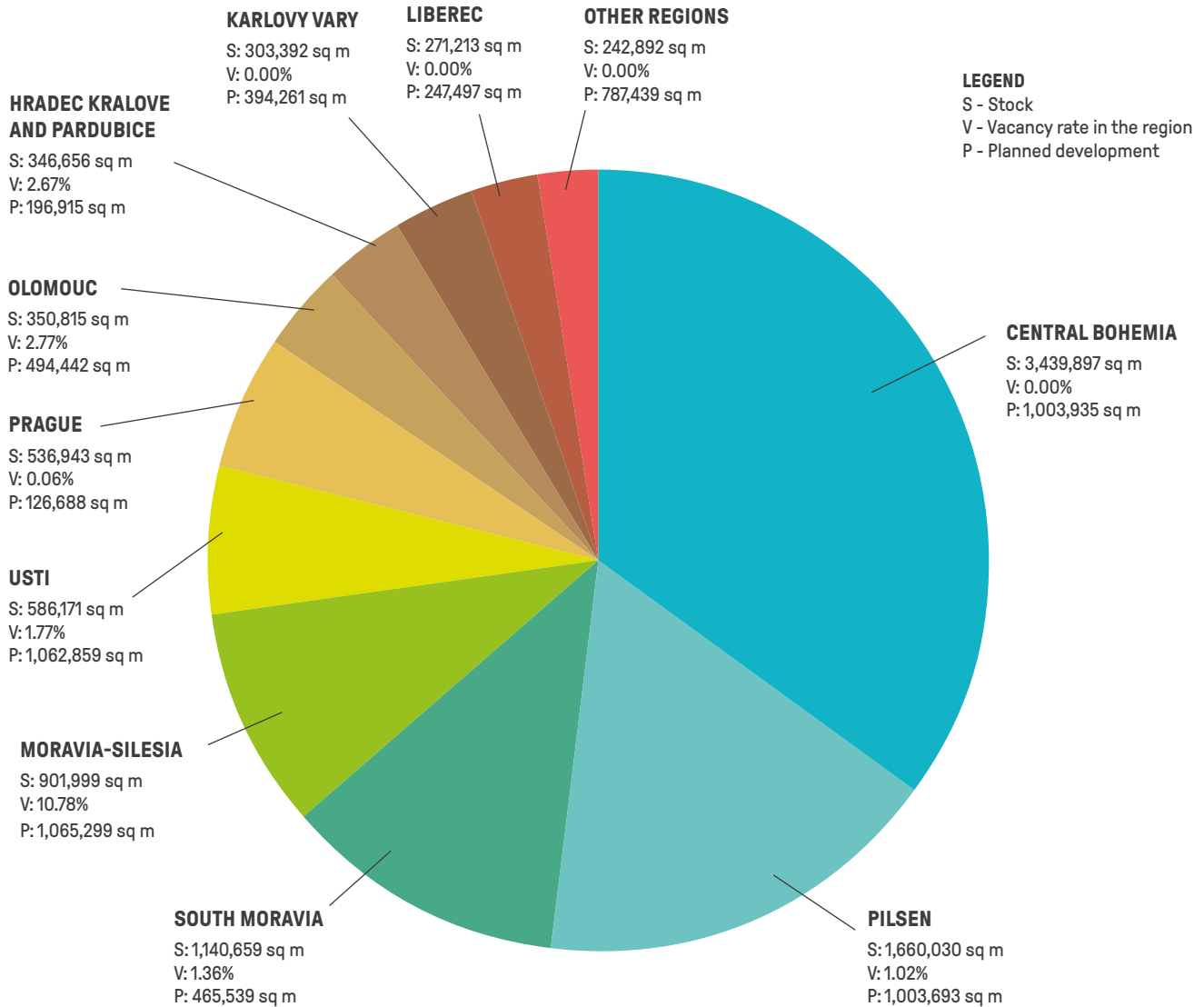


MARKET OVERVIEW Q4/2021

REGIONAL OVERVIEW

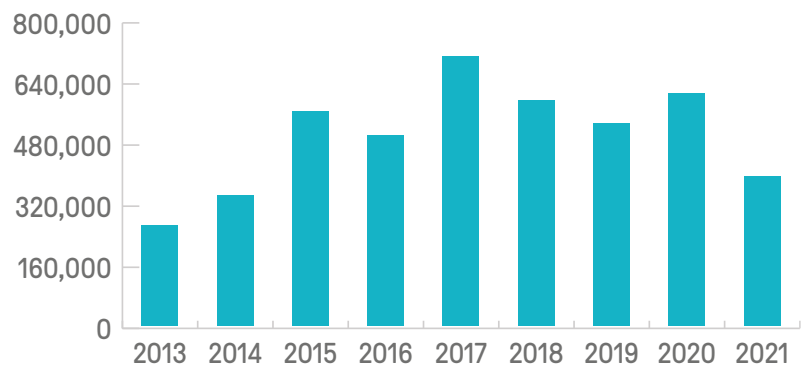
STOCK OF "A" CLASS PREMISES FOR LEASE IN THE CZECH REPUBLIC BY REGION

Largest stock of industrial premises for lease is in the Central Bohemian region followed by Pilsen region and South Moravian region. TOP developers in terms of portfolio size in sq m are CTP, P3, Prologis and Panattoni. The regions with lowest share on total stock are combined together in Other regions category (South Bohemian region, Zlin region and Vysočina region).



In Q4/2021 construction activity slightly increased with 142,130 sq m delivered to the market. Overall 2021 is underperforming in comparison to the year 2020. Last year performance with 390,959 sq m delivered to the market is the weakest in last 6 years. As speculative construction is now on rise, this statistic should get better in 2022. In 2021 developers acquired a lot of land for further industrial development which is also a positive sign.

COMPLETED CONSTRUCTION IN SQ M (2013 - 2021)

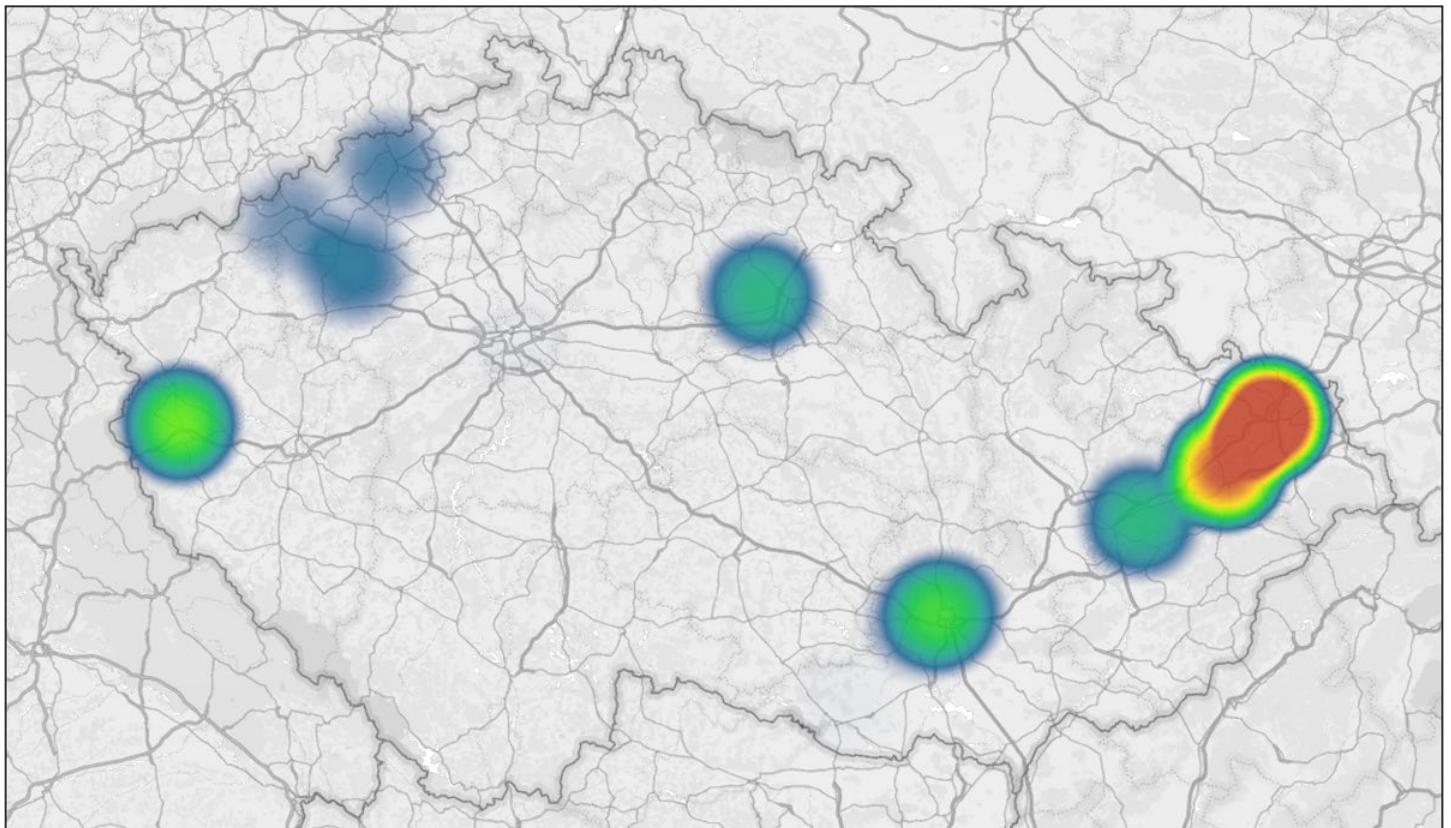


MARKET OVERVIEW Q4/2021

VACANCY RATE IN THE CZECH REPUBLIC

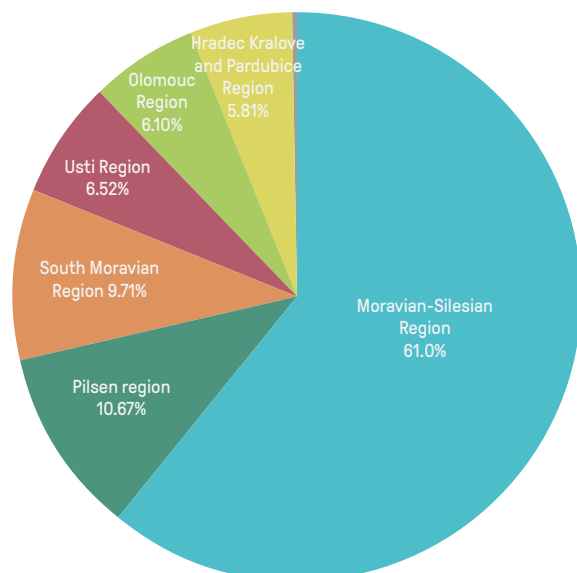
VACANCY IN THE CZECH REPUBLIC WITH HEATMAP

In Q4/2021 the differences between regions were further simplified. Now a region has at least some vacant space or has no space at all. Vacancy in the Czech Republic reached 1.63% (159,415 sq m) with shell and core premises included. Without them the vacancy total vacancy reached only 0.7% (68,223 sq m) in the entire Czech Republic. Top three regions with vacant space are Moravian-Silesian region with 97,238 sq m, Pilsen region with 17,002 sq m and South Moravian region with 15,475 sq m available for lease. In capital of Prague there are no immediately available completed industrial premises for lease.



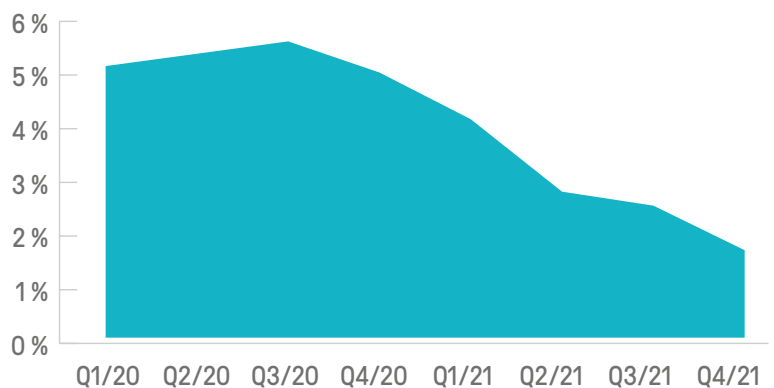
SHARE ON TOTAL VACANCY BY REGION

As of Q4/2021, last region Prague accounts for only 0.20%



VACANCY RATE REACHED HISTORICAL RECORD!

The vacancy of "A" class premises drops again and in Q4/2021 reached only 1.63% which is a historical record. As speculative construction picks up pace we expect that this situation will improve in the second half of 2022. There is a significant amount of premises currently in construction and with each quarter pipeline of new projects grows.

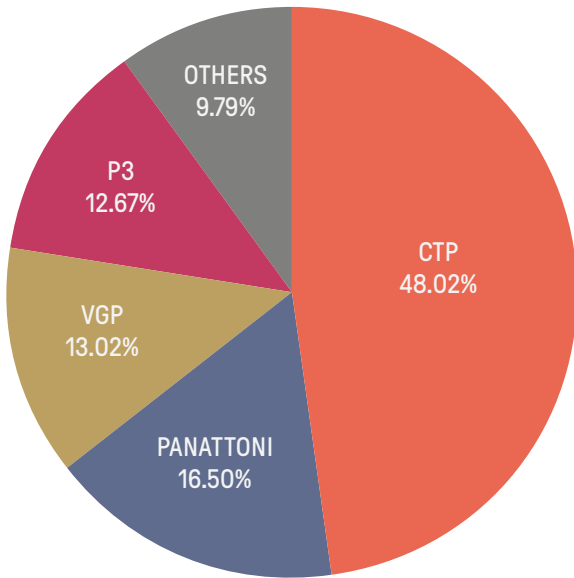


MARKET OVERVIEW Q4/2021

TAKE UP, SIGNIFICANT DEALS AND AVERAGE RENTS

NET TAKE UP SHARE BY DEVELOPER Q4/2021

By current owner of the premises



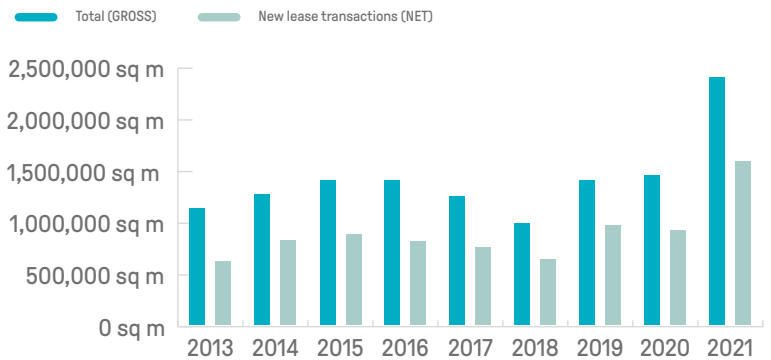
CTP tops the take graph with over 206k sq m. Panattoni is 2nd with over 70k sq m and 3rd is VGP with over 55k sq m. First three account for 77% of all deals in the Q4/2021. In terms of NET take up the year 2021 reached a record with 1,582,012 sq m.

Gross take up in the Czech Republic in the Q4 reached 618,826 sq m and Net take up (excluding prolongations) 430,145 sq m. Largest new transaction took place in CTPark Brno Líšeň where unspecified manufacturing company leased over 69k sq m of industrial premises. Second is expansion of 40k sq m by unspecified company in P3 Prague Horní Počernice. Third largest industrial transaction is new lease of 39k sq m by Jungheinrich in Panattoni Park Chomutov North.

Most new transactions were signed in South Moravian region with 135k sq m. Second is Usti region with 76k sq m and third is Olomouc region with 47k sqm.

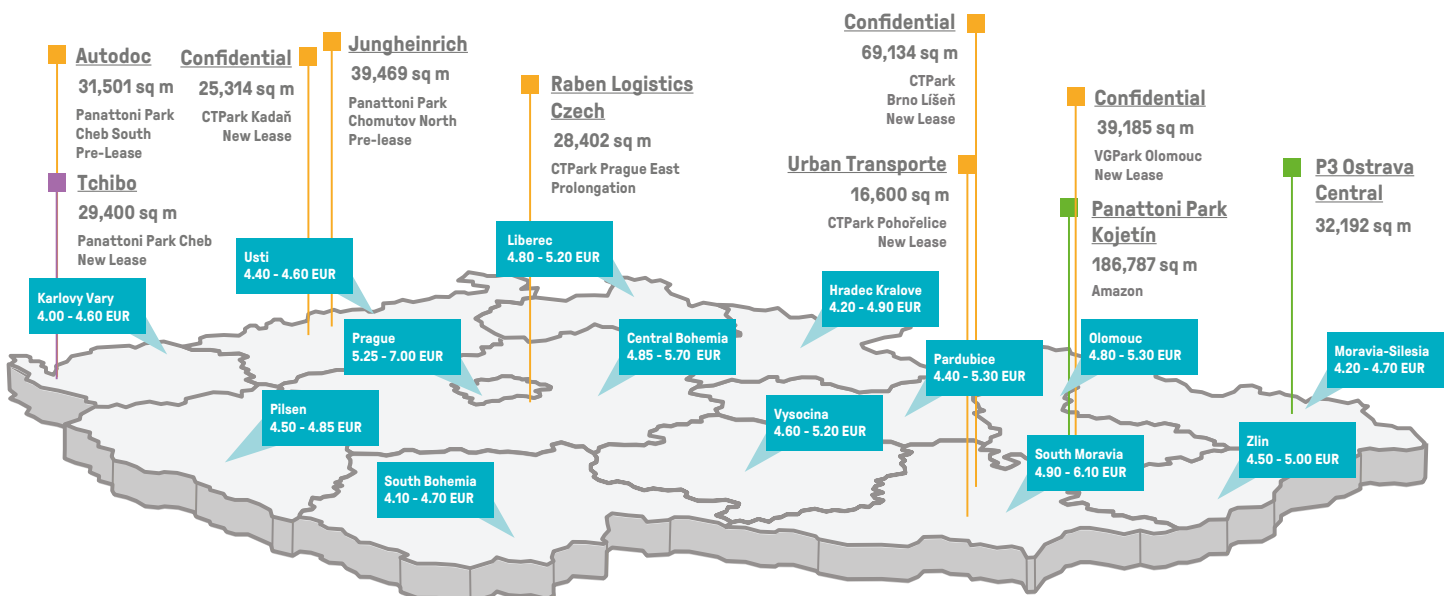
TAKE UP (2013 - 2021)

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



SELECTION OF TRANSACTIONS AND RANGE OF RENTS

■ significant transactions ■ under construction ■ completed construction



MACROECONOMICS Q4/2021

CURRENT SITUATION AND OUTLOOK

3.48%
UNEMPLOYMENT
12/2021

3.3%
GDP (YoY)
Q3/2021

3.8%
INFLATION
12/2021

MACROECONOMIC FORECAST OF MINISTRY OF FINANCE JANUARY 2022

Indicator	2017	2018	2019	2020	2021 forecast	2022 forecast
GDP (real growth. in %)	5.2	3.2	3.0	-5.8	2.9	3.1
Average inflation rate (in %)	2.5	2.1	2.8	3.2	3.8	8.5
Unemployment rate (average in %)	2.9	2.2	2.0	2.6	2.8	2.3
Exchange rate CZK/EUR	26.3	25.6	25.7	26.4	25.6	24.4

Source: Ministry of Finance of the Czech republic, 2022

Note: Average exchange rate in December 2021, 1 EUR = 25.257 CZK (Czech National Bank, 2022)

OUTLOOK FOR THE MACROECONOMIC SITUATION IN 2022

For the year 2022, we work with a scenario in which the worsening epidemic situation can be managed without the need to adopt macroeconomically significant anti-epidemic restrictions. At the same time, we expect the adverse effects of rising input prices and disruptions in production chains to persist in the first half of this year. Economic growth of 3.1% should then be driven by investment spending by the private sector and public institutions. Household consumption should continue to be an important growth driver. However, it will be dampened by a sharp increase in the cost of living, especially energy prices. The external trade balance should also make a positive contribution.

Increases in electricity and gas prices should contribute significantly to inflation this year. Supply frictions are likely to persist in the first half of the year. After a short pause, the imbalances that characterised the labour market before the outbreak of the epidemic are reappearing. Labour shortages persist in virtually all sectors of the economy. The seasonally adjusted unemployment rate fell to 2.3% in November 2021. We estimate that the unemployment rate averaged 2.8% in 2021 and will fall further to 2.3% in 2022. Supply chain disruptions and forced production shutdowns in industry led to a significant decline in the surplus on the current account of the balance of payments. The deterioration in the positive balance was also influenced by strong momentum of goods imports. Component shortages, together with rising input and energy prices, are expected to weigh on the trade balance also this year. We therefore estimate that the current account reached a deficit of 1.0% of GDP in 2021, which could widen to 1.3% of GDP in 2022.

Source: Ministry of Finance of the Czech republic, 2022

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 8.3 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.



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