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AGENCY

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BNP PARIBAS
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REPORT Q1/2022

Industrial property market

MARKET OVERVIEW Q1/2022

SUMMARY

9,864,518 SQ M

TOTAL
STOCK

86,254 SQ M

COMPLETED
CONSTRUCTION

1,034,346 SQ M

UNDER
CONSTRUCTION

AVERAGE RENTS
4.50 - 5.70
EUR/SQ M/MONTH

1.51%
VACANCY

4.00%
YIELD

- In Q1/2022 stock of "A" class industrial premises for lease reached 9,864,518 sq m. 86,254 sq m of new premises were delivered to the market. With current project pipeline we expect that the 10 mil. mark will be reached somewhere between Q2 and Q3 of 2022.
- There are currently 1,034,346 sq m under construction. Speculative construction is slowing down however as a result of great uncertainty on the construction materials market.
- The vacancy rate dropped to a historical low of 1.51% with only 148,674 sq m available on the market. If we do not count shell and core premises the vacancy rate dropped to only 1.28%! In comparison to last few quarters, there is significantly less available space in the Moravian-Silesian region.
- The war between Russia and Ukraine will in future influence food production which will be reflected in prices of all other commodities. The conflict threatens global wheat supply, because Russia and Ukraine are among the largest producers in the world. This will further indirectly influence already high inflation rate in the Czech Republic.

„Deepening differences between countries that lead to trade wars and most recently to true war, have caused a lot of chaos on many markets. Everything from food to precious metals to construction materials gets more and more expensive and harder to obtain. Export and import processes get more difficult. True resilience of European and Czech industrial market will be tested throughout the year 2022. In Q1 the Czech industrial market performed great, continuing its last year's fantastic success. Energy crisis is on the horizon however and it will be important to lower operating costs in order to maintain a competitive advantage. For example by utilization of high efficiency solar panels and other modern technologies.”

MICHAL BÍLÝ
Research Analyst

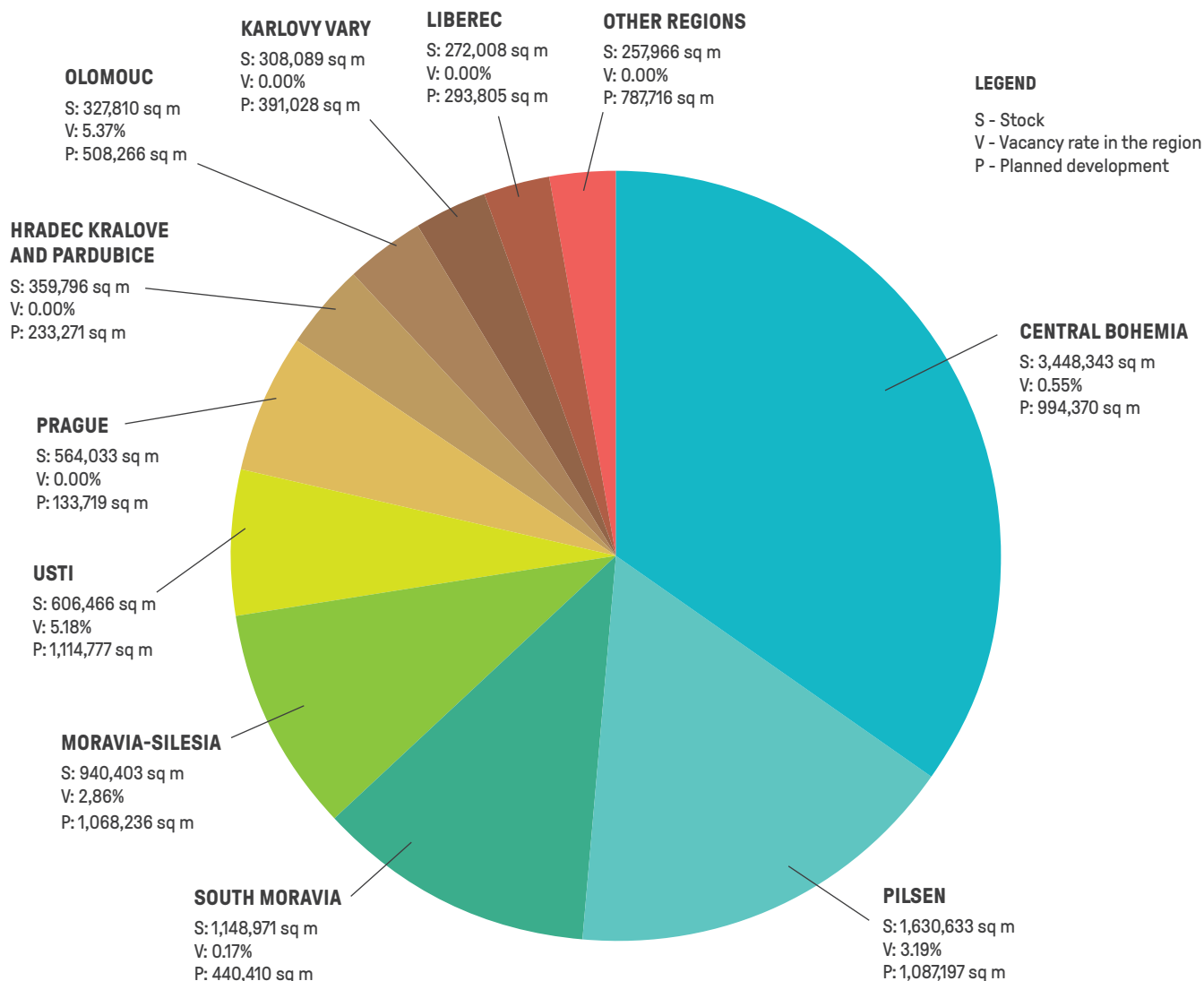


MARKET OVERVIEW Q1/2022

REGIONAL OVERVIEW

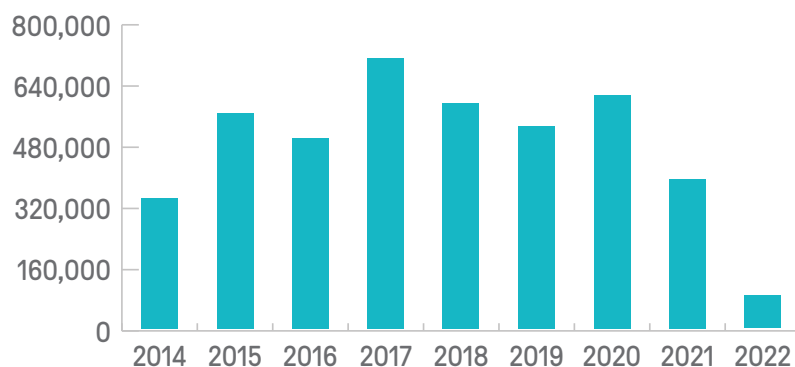
STOCK OF "A" CLASS PREMISES FOR LEASE IN THE CZECH REPUBLIC BY REGION

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 Q1/2022 construction activity decreased q-o-q with 86,254 sq m delivered to the market. That is still a significant improvement in comparison to Q1/2021 in which only 47,046 sq m were completed. After a swift increase of speculative construction in Q4/2021, it again declines because of negative development on the construction materials market. In 2022 and beyond the sufficient landbank for industrial development and reliable suppliers will be key to growth.

COMPLETED CONSTRUCTION IN SQ M (2013 - Q1/2022)

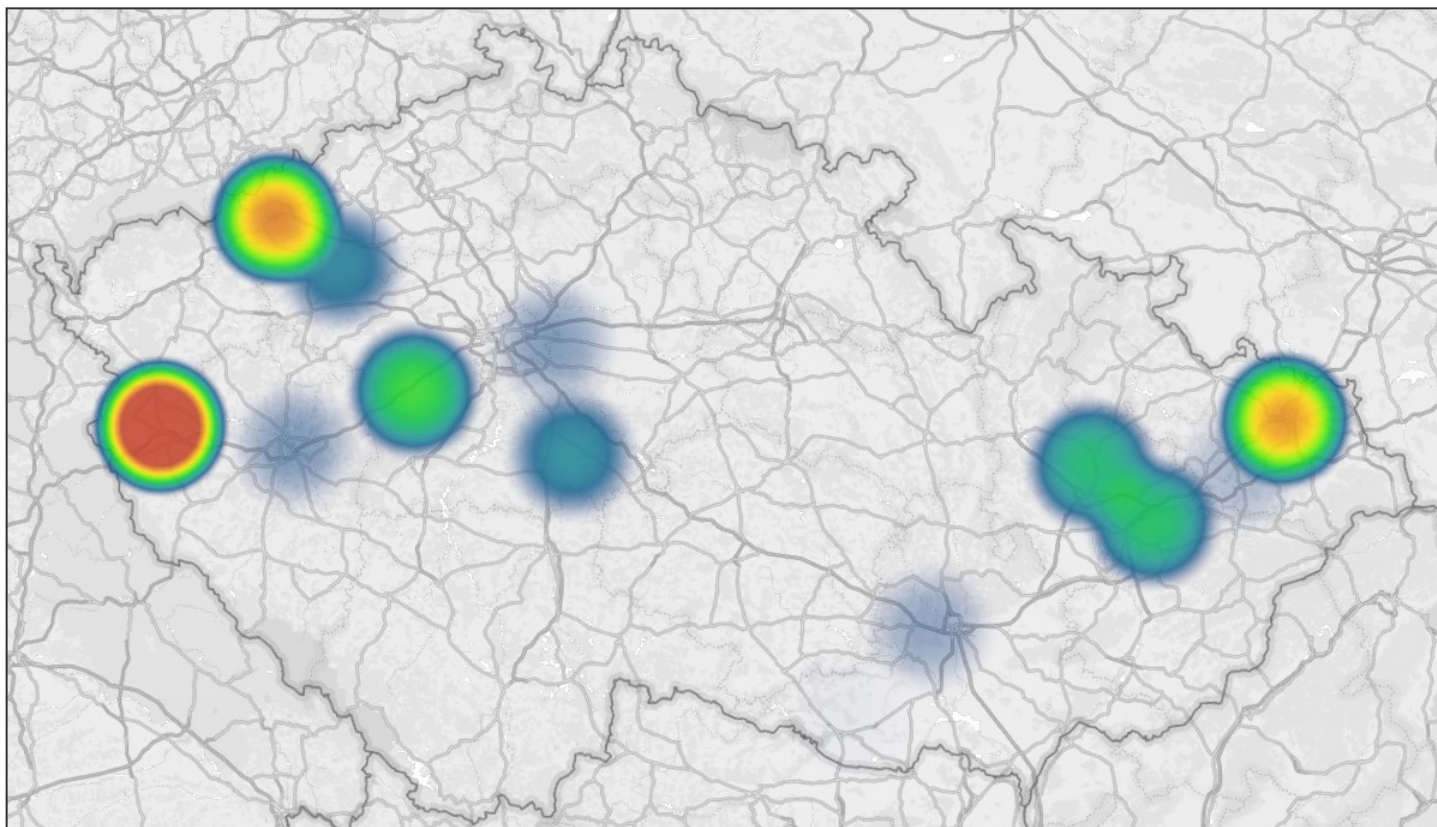


MARKET OVERVIEW Q1/2022

VACANCY RATE IN THE CZECH REPUBLIC

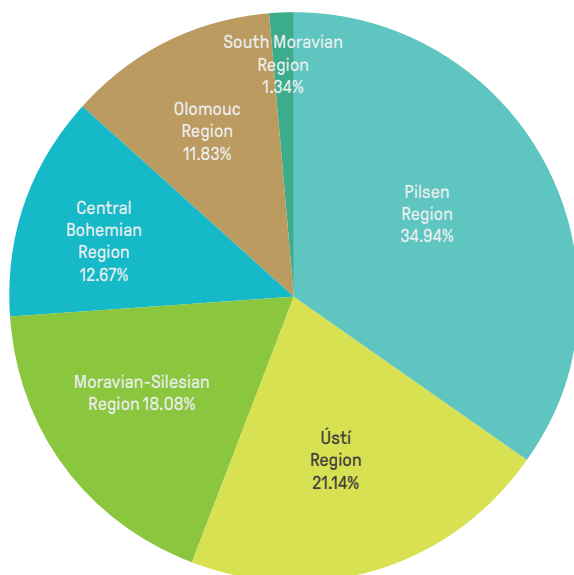
VACANCY IN THE CZECH REPUBLIC WITH HEATMAP

In Q1/2022 the differences between regions grew significantly. Now a region has either a lot of available space or no space at all. Vacancy in the Czech Republic reached 1.51% (148,674 sq m) with shell and core premises included. Without them the vacancy total vacancy reached only 1.28% (125,085 sq m) in the entire Czech Republic. Top three regions by available premises are Pilsen region with 51k sq m, Ústí region with 31k sq m and Moravian-Silesian region with 26k sq m available for lease. After significant continuous interest by tenants, two largest cities in the Czech Republic have been left with no available premises for lease.



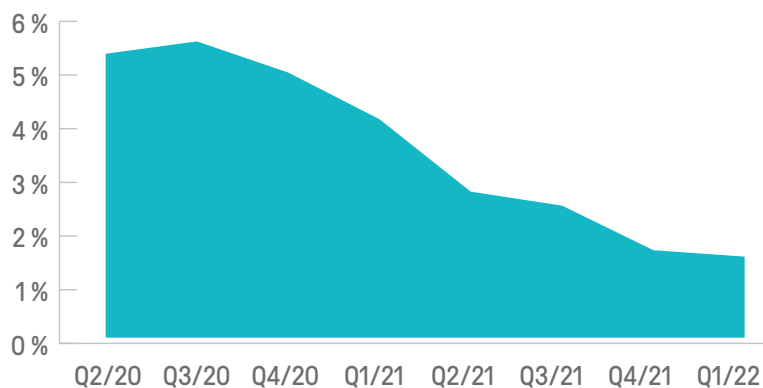
SHARE ON TOTAL VACANCY BY REGION

Share on total vacancy in the Czech Republic



VACANCY RATE REACHED HISTORICAL RECORD!

The vacancy of "A" class premises dropped once more and in Q1/2022 reached only 1.51% which is again a historical record. There is a significant amount of premises currently in construction and with each quarter pipeline of new projects grows. Throughout the year the vacancy rate is expected to rise slightly as a result of increasing rents.

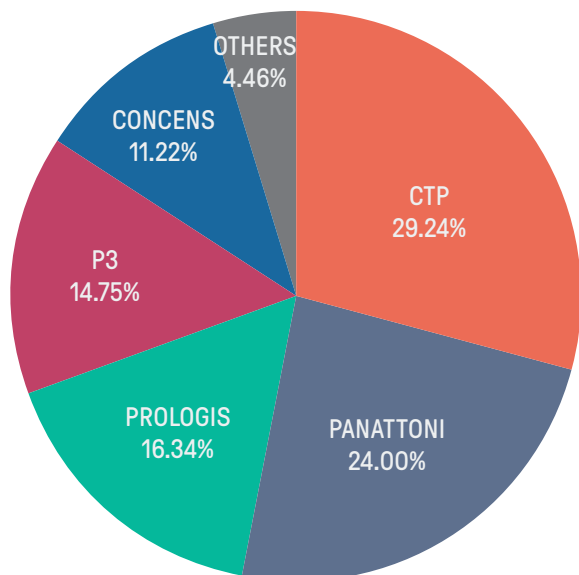


MARKET OVERVIEW Q1/2022

TAKE UP, SIGNIFICANT DEALS AND AVERAGE RENTS

NET TAKE UP SHARE BY DEVELOPER Q1/2022

By current owner of the premises

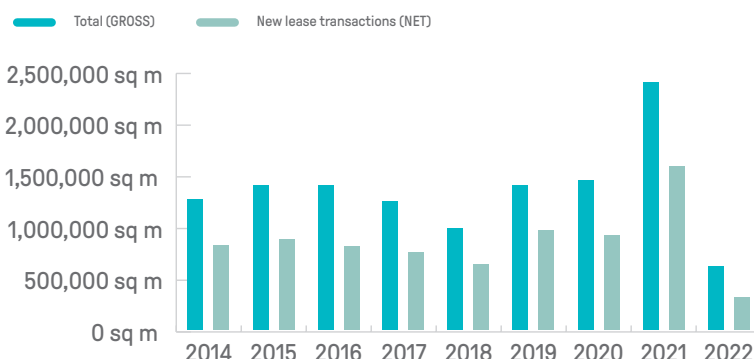


CTP tops the take-up chart with over 91k sq m. Panattoni is 2nd with over 74k sq m and 3rd is VGP with over 50k sq m. First three account for 69% of all new deals in the Q1/2022. In terms of NET take-up the Q1 was again very successful quarter after Q4/2021.

Gross take-up in the Czech Republic in the Q1 reached 613,344 sq m and Net take-up (excluding prolongations) 311,953 sq m. The largest new transaction took place in Panattoni Park Pilsen West II where undisclosed manufacturing company leased over 36k sq m of industrial premises. We also have to mention an expansion and prolongation by BJS Czech in CTPark Humpolec that reached 46k sq m. 2nd is the new lease of 28k sq m by Česká Pošta in Ostrava Airport Multimodal Park. 3rd largest industrial transaction is new lease of 14.5k sq m by DAMCO in Panattoni Park Teplice. Most new transactions were signed in the Pilsen region with 84k sq m, then in Moravian-Silesian region with 51k sq m and in Central Bohemian region 48k sq m.

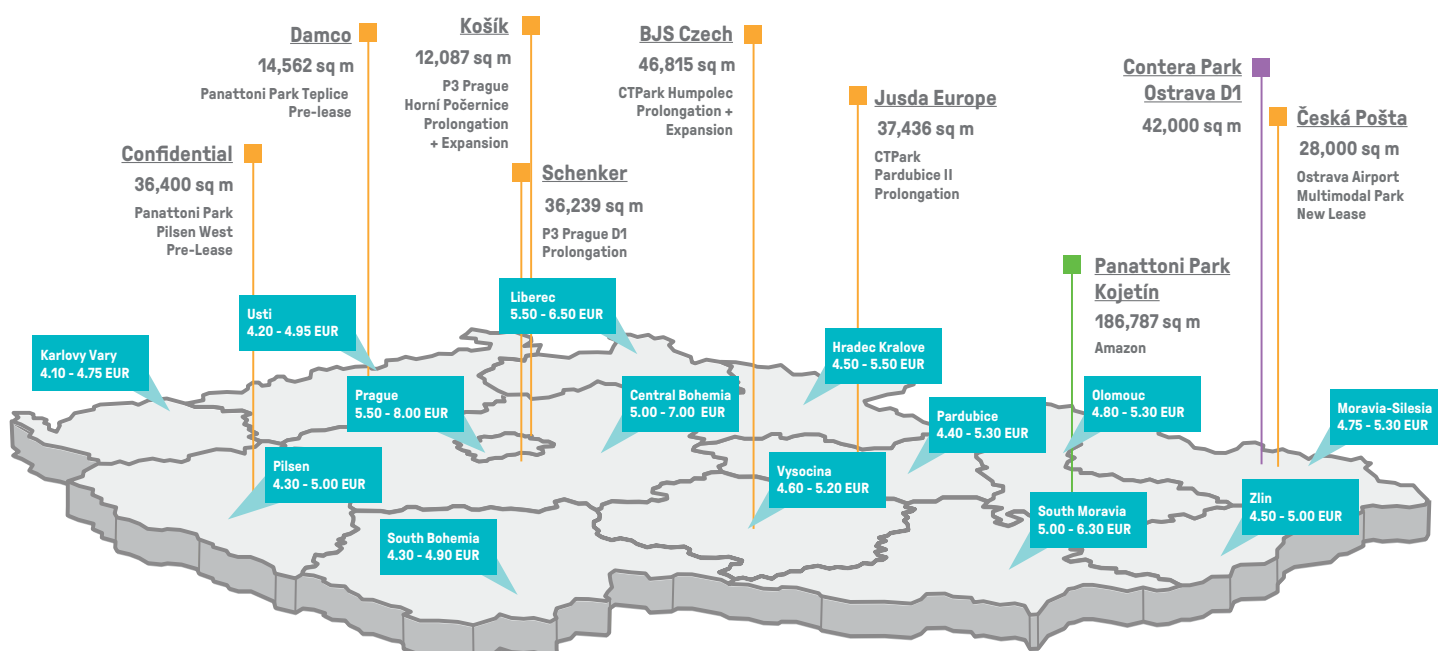
TAKE UP (2013 - Q1/2022)

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



SELECTION OF TRANSACTIONS AND RANGE OF RENTS

■ significant transactions ■ under construction ■ completed construction



MACROECONOMICS Q1/2022

CURRENT SITUATION AND OUTLOOK

3.38%
UNEMPLOYMENT
03/2022

3.6%
GDP (YoY)
Q4/2021

12.7%
INFLATION
03/2022

MACROECONOMIC FORECAST OF MINISTRY OF FINANCE APRIL 2022

Indicator	2018	2019	2020	2021	2022 forecast	2023 forecast
GDP (real growth. in %)	3.2	3.0	-5.8	3.3	1.2	3.6
Average inflation rate (in %)	2.1	2.8	3.2	3.8	12.3	4.4
Unemployment rate (average in %)	2.2	2.0	2.6	2.8	2.5	2.6
Exchange rate CZK/EUR	25.6	25.7	26.4	25.6	24.4	24.2

Source: Ministry of Finance of the Czech republic, 2022

Note: Average exchange rate in March 2022, 1 EUR = 25.008 CZK (Czech National Bank, 2022)

OUTLOOK FOR THE MACROECONOMIC SITUATION IN 2022

Russia's military aggression against Ukraine has completely changed the picture of the world in 2022 and damaged growth prospects. Although Russia and Ukraine account for only around 2% of global GDP, they play a significant role as suppliers of many raw materials. The Russian invasion has thus had an impact on commodity markets in terms of price increases and higher volatility. As a result of the war in Ukraine, we can at least in the short term expect lower economic growth, deeper problems in supply chains and intensification of already high inflationary pressures. The outcome of 2022 will be fundamentally affected by Russian aggression and a change in the setting of international trade relations. Amid general uncertainty, the Ministry of Finance is working with a scenario that the main negative impacts will be concentrated in Q2. The full-year growth rate of the Czech economy should slow to 1.2%.

High inflation slows economic growth and lowers living standards. The average inflation rate is expected to reach 12.3% this year. Annual inflation is expected to be in double digits for the rest of the year, peaking above 13% in Q2. In 2023, the average inflation rate could slow to 4.4%. Annual inflation should only approach the Czech National Bank's 2% inflation target at the end of the year. In the labour market, imbalances related to labour shortages, which are evident in virtually all sectors of the economy, are further exacerbated. The unemployment rate averaged 2.8% in 2021 and could fall to 2.5% this year. However, due to the lagged effects of weak growth this year, the unemployment rate could rise slightly to 2.6% in 2023. Public finances, which ended up in a deficit of 5.9% of GDP in 2021, were still affected by the coronavirus epidemic. Public debt is likely to rise from 41.9% of GDP in 2021 to 42.7% of GDP by the end of 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 8.4 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. At the end of 2021, 108 AGENCY became the exclusive alliance partner of BNP Paribas Real Estate for the Czech Republic. Thanks to this strategic acquisition, 108 AGENCY significantly strengthened the team of consultants and the range of services.



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