

MARKETBEAT

# CENTRAL EUROPE

Industrial Q1 2021



# CONTENTS

Bulgaria

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Czech Republic

---

Hungary – Budapest

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Poland

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Romania

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Slovakia



	YoY Chg	12-Mo. Forecast
<b>3.7%</b> Vacancy Rate	▲	■
<b>€4.20</b> Prime Rent, sq m/month	▼	▲
<b>8.25%</b> Prime Yield	▼	■

Overall, All Property Classes

### ECONOMIC INDICATORS Q1 2020

	YoY Chg	12-Mo. Forecast
<b>-4.2%</b> Bulgaria GDP Change YoY	▼	▲
<b>5.1%</b> Bulgaria Unemployment Rate	▲	▲
<b>-3.4%</b> Industrial Production YoY, February	▼	▲

Source: National Statistical Institute, Moody's

### ECONOMY: Exports slightly increases

In line with the forecasts for economic improvement in 2021, the industrial sector in Bulgaria shows tentative signs of recovery. Exports registered slight upward trend in February for the first time in the last twelve months, with 2.8% y-o-y growth. In the same time, industrial production still continues to fall, following the overall trend on the EU markets. Exports and domestic demand are expected to put the Bulgarian economy back on track, with 2.7% anticipated growth in the current year. This will give impetus on the development and leasing activity in the industrial sector.

### SUPPLY AND DEMAND: Development activity

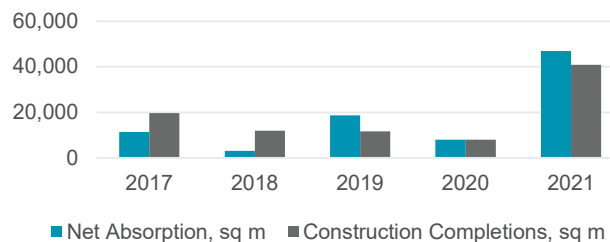
The industrial property market in Sofia registered significant development activity in the last quarters, driven by the strive of retail, logistics and production sectors to expand their operations. As at the beginning of 2021, almost 355,000 sqm are under construction. Most of this space is owner occupied, with only 31% share of the speculative developments. The expansion of the logistics center of Lidl in Ravno pole village and the new terminal of DHL in the Sofia airport area are among the notable projects, started in the first quarter. Despite the significant take-up of 48,851 sqm, the beginning of 2021 registered moderate leasing activity. The main part of this volume consists of expansions of production facilities, mostly for food processing and logistics operations. Vacancy rate remains below 4%, with prospect to slightly increase in the coming quarters when large logistics projects are scheduled for completion around Sofia.

On the demand side, the rise of online commerce underpin the need of logistics space, especially for last mile deliveries. An increasing number of inquiries is coming from fulfilment centers, pharmaceutical companies and medical supply distributors, as well. The near-shoring of production facilities in the SEE region is another potential source of opportunities for industrial property developments which shall materialize in mid-to-long term.

### PRICING: Stable rents and yields

The well performing market supports stable prices of industrial and logistics space in Sofia. Prime rents remain in the range of 4.2-4.4 euro/sqm for mid-sized units, while premises above 10,000 sqm are offered at 3.8-4 euro/sqm. Yields also remain stable, currently at around 8.25% for prime logistics space in Sofia.

### SPACE DEMAND / DELIVERIES



### OVERALL VACANCY & PRIME RENT



# MARKETBEAT BULGARIA

## Industrial Q1 2021



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### MARKET STATISTICS

SUBMARKET	INVENTORY (SQ M)	AVAILABILITY (SQ M)	OVERALL VACANCY RATE	CURRENT QTR TAKE-UP (SQ M)	YTD TAKE-UP (SQ M)	UNDER CNSTR (SQ M)	PRIME RENT	PRIME YIELD
Sofia	1,439,314	52,628	3.7%	48,851	48,851	354,716	€4.2	8.25%
<b>TOTAL</b>	<b>1,439,314</b>	<b>52,628</b>	<b>3.7%</b>	<b>48,851</b>	<b>48,851</b>	<b>354,716</b>	<b>€4.2</b>	<b>8.25%</b>

\*Rental rates reflect weighted net asking € sq m/Month

### KEY CONSTRUCTION COMPLETIONS Q1 2021

PROPERTY	SUBMARKET	MAJOR OCCUPIER	SQ M	OWNER/DEVELOPER
Production facility	Sofia	undisclosed	10,900	-

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	YoY Chg.	12-Mo. Forecast
<b>3.6%</b> Vacancy Rate	▼	▬
<b>€4.50</b> Prime Rent, sq m/month	▲	▲
<b>4.25%</b> Prime Yield	▼	▬

Overall, All Property Classes

### ECONOMIC INDICATORS Q1 2021

	YoY Chg.	12-Mo. Forecast
<b>-2.1%</b> GDP*	▼	▲
<b>4.2%</b> Unemployment Rate	▲	▲
<b>4.1%</b> Industrial Production*	▲	▲
<b>2.2%</b> CPI*	▼	▼

\*Annual growth forecasts

Source: Moody's Analytics, Czech Ministry of Labour and Social Affairs

### ECONOMY: Despite the lockdown, the Czech economy showed promising results in Q1 2021

More contagious Covid-19 virus mutations began to spread in February, causing another wave of the pandemic, and an increase in casualties in the Czech Republic. Consequently, the government implemented the strictest version of lockdown, including closed schools, mandatory testing in offices and factories, and a ban on non-essential travel between municipalities and districts. The State of Emergency, which lasted 188 days in the Czech Republic, ended on April 12. The improving epidemiological situation finally enabled the Czech Government to partially lift the anti-pandemic measures that have been in place since Christmas.

According to a preliminary estimate of the Czech Statistical Office, GDP decreased by 2.1%, year-on-year, in Q1 2021, which is a better result than expected. Employment increased by 0.2%, quarter-on-quarter, and the unemployment rate keeps slightly above 4%, which is one of the lowest rates in the EU.

### SUPPLY AND DEMAND: All-time high demand, leases concluded for more than 750,000 sq m

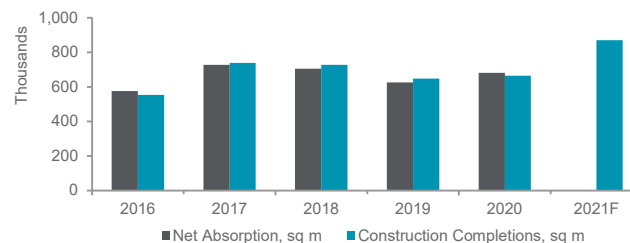
In Q1 2021, only 68,000 sq m of new industrial spaces were completed within five buildings in five parks, the lowest quarterly volume since Q3 2016. It is a sign of concerns over speculative construction, leading to weaker construction activity in general. On the other hand, quarterly demand for industrial space measured as gross take-up was the highest in history. Tenants signed lease agreements for a total of 766,000 sq m in Q1, although almost two-thirds of them were renegotiated leases. The share of pre-leases was about 20%, which means that construction activity could resume this year, especially in the second half.

Nevertheless, according to the information from the market, slower permitting processes have been hampering several projects. E-commerce and third-party logistics, the "winners" of the pandemic, drove most of the demand in Q1. The vacancy rate, which has been decreasing since the beginning of 2020, continued with the falling trend.

### PRICING: Prime rents likely to continue rising

An increase in prime rent, which reached €4.50/sq m/month at the end of Q1, reflected the vacancy rate development. In some parks in strategic locations, such as the surroundings of Prague and Brno, the asking rent exceeded €5.00/sq m/month.

### SPACE DEMAND / DELIVERIES



### OVERALL VACANCY & PRIMERENT



## MARKET STATISTICS

SUBMARKET	STOCK (SQ M)	AVAILABILITY (SQ M)	VACANCY RATE	CURRENT QTR TAKE-UP (SQ M)	YTD TAKE-UP (SQ M)	YTD COMPLETIONS (SQ M)	UNDER CNSTR (SQ M)	PRIME RENT (€/SQ M/MONTH)
Prague	3,266,930	64,035	2.0%	113,235	113,235	13,259	117,157	4.50
Pilsen	1,370,827	72,966	5.3%	142,441	142,441	28,184	110,307	4.10
Brno (South Moravia)	1,152,545	32,126	2.8%	225,235	225,235	25,000	70,475	4.20
Ostrava (Moravia-Silesia)	821,295	61,461	7.5%	23,164	23,164	0	81,331	3.95
Central Bohemia	617,197	14,758	2.4%	33,081	33,081	0	20,350	
Ústí nad Labem	566,064	64,851	11.5%	2,642	2,642	0	40,694	
Liberec	311,936	0	0.0%	0	0	1,600	6,974	
Olomouc	267,832	17,119	6.4%	72,400	72,400	0	19,752	
Karlovy Vary	222,824	0	0.0%	111,781	111,781	0	47,518	
Pardubice	197,728	0	0.0%	0	0	0	0	
Hradec Králové	168,361	0	0.0%	41,626	41,626	0	0	
Jihlava (Vysočina)	157,809	1,755	1.1%	0	0	0	0	
České Budějovice (South Bohemia)	34,348	0	0.0%	0	0	0	26,909	
Zlín	16,680	0	0.0%	0	0	0	3,000	
<b>CZECH REPUBLIC TOTALS</b>	<b>9,172,377</b>	<b>329,071</b>	<b>3.6%</b>	<b>765,605</b>	<b>765,605</b>	<b>68,043</b>	<b>557,467</b>	<b>4.50</b>

## KEY LEASE TRANSACTIONS Q1 2021

PROPERTY	SUBMARKET	TENANT	SIZE (SQ M)	TYPE
Panattoni Park Cheb	Karlovy Vary	Tchibo	73,112	Renegotiation
CTPark Brno	Brno	Wistron InfoComm	65,317	Renegotiation
Panattoni Park Střibro	Pilsen	Confidential	53,970	Renegotiation

## KEY CONSTRUCTION COMPLETIONS Q1 2021

PROPERTY	SUBMARKET	MAJOR TENANT	SIZE (SQ M)	OWNER/DEVELOPER
CTPark Bor	Pilsen	Confidential	28,184	CTP Invest
Park Nošovice	Ostrava	Hyundai Glovis	25,000	Concens Investments
Panattoni Park Prague Airport II	Prague	Lindab	8,032	Panattoni

Source: Industrial Research Forum

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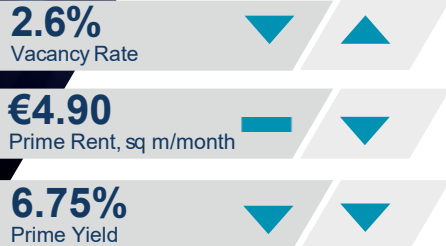
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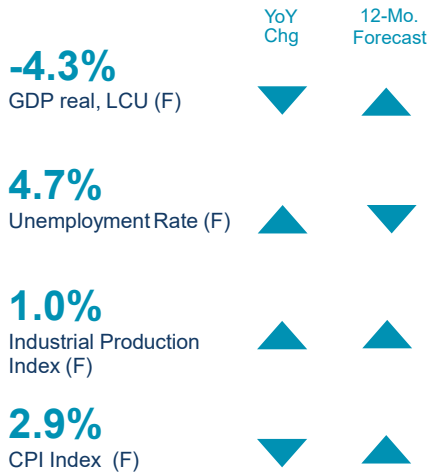
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(Overall, All Property Classes, as at 31 March 2021)  
Source: Cushman & Wakefield, Budapest Research Forum

### ECONOMIC INDICATORS Q1 2021



Annual growth unless otherwise indicated  
Source: Moody's, 31 March 2021

### ECONOMY: GDP is projected to rebound by about 4.9% per year on average in 2021/2022

Following a contraction of 5.1% in 2020, the Hungarian GDP is expected to rebound this year, supported by strong fiscal and monetary stimulus. Restrictions to contain the second and third waves of infections since autumn 2020 are delaying the recovery whereby the economy grew by only 1.4% in Q4 2020 following a robust expansion of 11.4% registered in Q3. As restrictions are gradually lifted, an effective vaccine is deployed, and global trade picks up, domestic and external demand are expected to recover from mid-2021 onwards. Industrial production however has showed strong recovery last year, and industrial confidence index improved to a record high level of 1.2% in April 2021 from record low of -25.90% registered in May 2020.

Hungary is expected to significantly benefit from the next generation EU recovery fund agreed in 2020 which will provide a stimulus to the Hungarian economy, equal to some 6.7% of GDP in the period of 2021-2025.

### SUPPLY AND DEMAND: Continued high demand with significant new industrial space in the pipeline

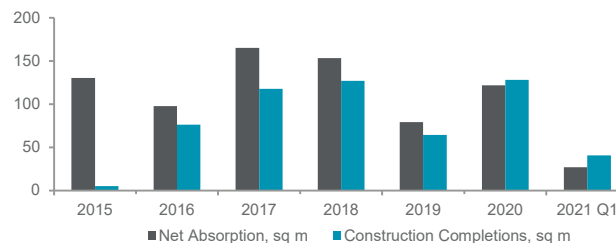
The first quarter of 2021 was characterized by the same traits as the 2020 industrial market, which was defined by high demand levels and low vacancy with limited new supply delivered to the market. In response to the record high demand levels seen in 2020, a revival of development activity is in evidence and an improved level of new space will be delivered in 2021/2022, amounting to nearly 300,000 sq.m of industrial space. 37% of the 2021 pipeline under construction, however, is already pre-let.

The vacancy rate has remained low showing a slight, 0.5 percentage-point increase on the previous quarter, hence tenants have little room for movement. The total demand of Q1 amounted to 81,820 sq.m, primarily driven by net take-up amounting to 44,590 sq.m, which marks a significant threefold increase over Q1 2020 volumes. Pre-leases dominated the demand with a share of 45%, amounting to 36,560 sq.m. Lease renewals accounted for a share of 45% from the quarterly demand and amounted to 37,230 sq.m.

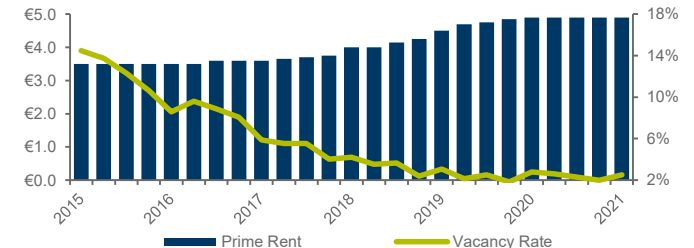
### PRICING: Landlord favourable market

Rents and lease terms have remained firm with current headline BTS rents stand at Euro 4.90. Rents on existing stock have already showed some consolidation. Further release of pressure on rents is expected going forward

### SPACE DEMAND / DELIVERIES



### OVERALL VACANCY & PRIME RENT



# MARKETBEAT BUDAPEST

## Industrial Q1 2021



### MARKET STATISTICS

SUBMARKET	STOCK (SQ M)	AVAILABILITY (SQ M)	VACANCY RATE	CURRENT QTR TAKE-UP (SQ M)	YTD TAKE-UP (SQ M)	YTD COMPLETIONS (SQ M)	UNDER CNSTR (SQ M)	PRIME RENT (€/SQ M/MONTH)
North	118 560	3 780	3.2%	5 040	5 040	0	5 040	€4.90
South	1 507 080	35 030	2.3%	42 750	42 750	0	72 890	€4.90
East	277 160	3 660	1.3%	16 150	16 150	40 750	189 820	€4.90
West	512 850	19 160	3.7%	17 880	17 880	0	30 380	€4.90
<b>TOTAL BUDAPEST</b>	<b>2 415 650</b>	<b>61 630</b>	<b>2.6%</b>	<b>81 820</b>	<b>81 820</b>	<b>40 750</b>	<b>298 130</b>	<b>€4.90</b>

### KEY LEASE TRANSACTIONS Q1 2021

PROPERTY	TYPE	TENANT	SIZE (SQ M)	TYPE
M5-GYÁL Business Park	LP	Confidential	22 000	renewal
CTPark Budapest Airport	LP	Confidential	15 970	prelease
CTPark Budapest West	LP	Confidential	10 650	prelease
Prologis Park Budapest - Gyál	LP	Flextronics	6 550	new
Login Business Park	CL	Confidential	5 040	prelease
Prologis Park Budapest - M1	LP	LGI Hungária	4 610	renewal

### KEY CONSTRUCTION COMPLETIONS Q1 2021

PROPERTY	TYPE	MAJOR TENANT	SIZE (SQ M)	OWNER/DEVELOPER
CTPark Budapest East ÜLL5	LP	Lenovo	40 750	CTP

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	YoY Chg	12-Mo. Forecast
<b>6.5%</b> Vacancy Rate	▼	▼
<b>€3.80</b> Prime Rent, sq m/month	▬	▲
<b>5.30%</b> Prime Yield	▼	▼

**ECONOMIC INDICATORS Q1 2021**

	YoY Chg	12-Mo. Forecast
<b>-2.30%</b> GDP	▼	▲
<b>4.98%</b> Unemployment Rate Poland	▲	▲
<b>7.79%</b> Industrial Production	▲	▲
<b>0.56%</b> Retail Sales	▼	▲

Source: Eurostat, Moody's

**Record demand for industrial space despite COVID-19 pandemic - total take-up reached 1.6 million sq m.**

Tenant activity remains at an exceptionally high level in the Polish warehouse market. For the first three months of 2021, total take-up reached a record 1.6 million sq m, an increase of 70% year-on-year. Net take-up, comprising new deals and expansions, amounted to 1.1 million sq m or 71% of take-up with the remaining 29% made up of lease extensions. The highest demand was observed in the Poznań region (23% of total take-up), the Warsaw region (19%), Upper Silesia (17%) and Central Poland (14%). Demand structure continues to be led by logistics companies (30% of total demand) and retail / FMCG (21%), with growing activity from manufacturing (13%) and automotive industry (11%).

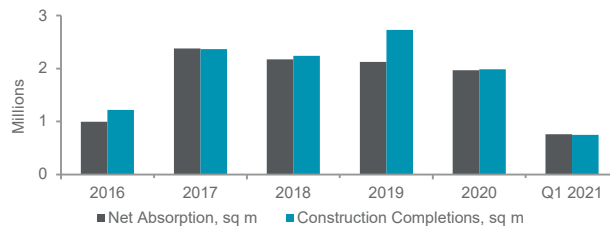
Due to the disrupted structure of the global logistics network, many companies are changing their inventory management strategy, diversifying supply sources and increasing warehouse space to maintain higher levels of strategic inventory. However, the main driver of the high demand for warehouse space in Poland is continued by the dynamic growth of the e-commerce sector. Demand comes from global e-commerce platforms such as Amazon and Zalando, online shops, logistics operators and courier companies, as well as leading retailers developing multi-channel sales strategies for a variety of product categories, including apparel, home furnishings, home appliances and electronics, FMCG, cosmetics and food. Therefore, tenants are actively modifying their distribution networks and increasing their inventory capacity to improve last mile logistics within major agglomerations, but also investing in regional courier hubs, cross-dock facilities and fulfilment warehouses dedicated to cross-border logistics.

**Vacancy remained at stable level despite strong supply.**

At the end of Q1 2021, approximately 1.41 million sq m was available for lease in the warehouse market, which accounted for 6.5% of the total stock in Poland. Despite the high scale of new supply noted in Q1 2021, the volume of vacant space remained stable, while the vacancy rate further decreased by 0.3 p.p. quarter-on-quarter and by 0.9 p.p. year-on-year.

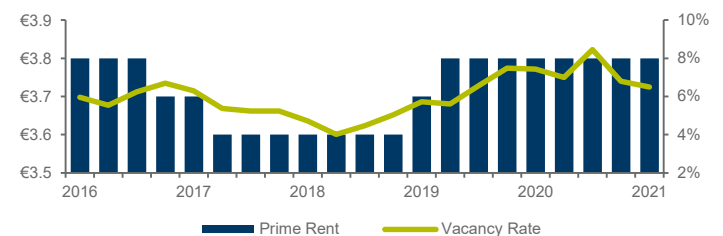
There was no significant change in rents last quarter, although some markets showed a slight increase in base rents in case of new projects delivered in the urban submarkets of Upper Silesia, Łódź and Kraków. Base rents range from €2.50-3.80/sq m/month for BIG-BOX facilities to €4.00-5.25/sq m/month for SBU (Small Business Units) facilities in urban areas in key markets. Financial incentives offered by developers typically range from 10-30% of the headline rent, depending on the lease terms. These consist of rent-free periods of one to two months for each year of the lease and a financial contribution for selected fit-out works or potential tenant relocation costs. Warehouse rents may increase slightly in H2 2021 due to strong demand, limited speculative investment and rising construction costs.

**SPACE DEMAND / DELIVERIES**



Source: Cushman & Wakefield

**OVERALL VACANCY & ASKING RENT**



### Further increase in development activity.

In the first quarter of 2021, developers completed almost 750,000 sq m of warehouse space and the total stock rose to 21.5 million sq m. Among 36 industrial projects, the largest were the second phase of a BTS for EURO-net at Prologis Park Janki (73,400 sq m, Warsaw-area), two projects for BBK SA. and DPD within Panattoni Park Gdańsk Airport (71 600 sq m, Tricity) as well as Panattoni BTS Czeladź dedicated for 4F (67 000 sq m, Upper Silesia) and a BTS project for Polomarket at 7R Park Tczew (31 000 sq m, Tricity). Other large projects delivered last quarter also included 7R Beskid Park II (54,400 sq m) and Hillwood Piekary Śląskie (42,300 sq m). By region, Upper Silesia (32% of total supply), Tricity (18%), the Warsaw region (17%) and Poznań (11%) accounted for the largest share of supply.

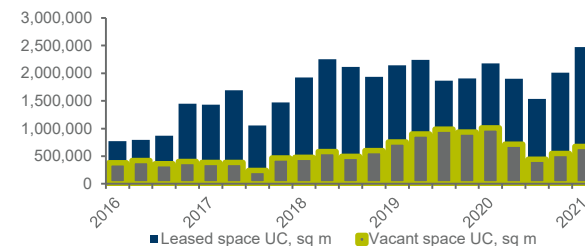
High demand generates a further increase in development activity. In the first three months of 2021, over 1.2 million sq m of warehouse space started and the total volume of investments under construction reached 2.47 million sq m. We observe an increase in development activity in the region of Poznań and Central Poland, as well as in the market of Western Poland, where new projects related to cross-border logistics and operations for the e-commerce industry are being developed in locations such as: Świebodzin (203,500 sq m for Amazon), Gorzów Wielkopolski, Zielona Góra and Zgorzelec. The Warsaw and Upper Silesia markets show a decline in development activity, due to the high level of supply recorded last year and the temporary oversupply visible in these markets.

Taking into account other regional markets, a significant increase of over 10% in warehouse stock is expected in the Tricity, Szczecin and Lublin markets, while an increase in development activity is also expected in the Bydgoszcz-Toruń market. Emerging markets such as Olsztyn and Kalisz are also on the map of warehouse investments, while Wałbrzych and Siedlce should soon join this group. The largest projects under construction at the end of March 2021 include the next stage of the Central European Logistics HUB (179,200 sq m, Łódź), the BTS investment for confidential client at Panattoni Park Poznań XI (103,200 sq m, Żemiki), GLP Łędziny Logistics Centre (88,000 sq m), Hillwood Stryków II (73,000 sq m), 7R BTS Radzymin (67,500 sq m for Żabka), Prologis Park Poznań III (48,100 sq m for Arvato) and Panattoni Park Zgorzelec (45,000 sq m for ID Logistics). As at the end of Q1 2021, over 70% of the total investments under construction was secured by pre-let agreements, which means an increase of this indicator by approx. 20 p.p. in comparison with the previous year.

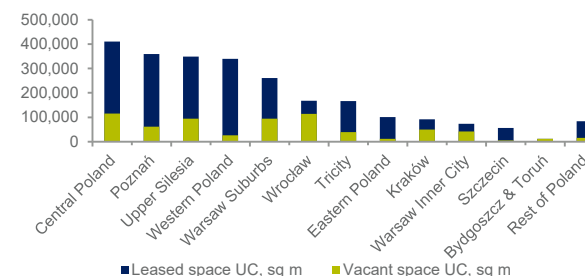
### Outlook

*In the following months of 2021, we expect a continuation of high activity on both, the demand and supply side. Factors favoring the development of the warehouse market include the further growth of the e-commerce sector, the development of the expressway and motorway system allowing for the geographical diversification of the logistics network and the expected inflow of foreign investments to Poland to support the continuity of production processes in Europe (nearshoring). We will also continue to observe high demand for logistics assets from foreign investment funds.*

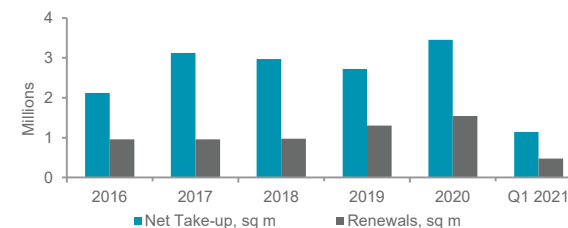
### DEVELOPMENT ACTIVITY



### SPACE UNDER CONSTRUCTION IN REGIONS MARCH 2021



### TAKE-UP



### MARKET STATISTICS

REGION	STOCK (SQ M)	AVAILABILITY (SQ M)	VACANCY RATE	CURRENT QTR TAKE-UP (SQ M)	YTD SUPPLY (SQ M)	UNDER CNSTR (SQ M)	PRIME RENT (€/SQ M/MONTH)
Warsaw Suburbs	4,156,866	274,505	6.6%	253,807	124,310	260,533	3.80
Upper Silesia	3,956,297	374,936	9.5%	271,948	238,330	349,390	3.75
Central Poland	3,238,708	204,485	6.3%	222,930	44,660	411,223	3.65
Wrocław	2,349,671	173,756	7.4%	140,128	24,704	167,437	3.60
Poznań	2,305,674	115,303	5.0%	375,774	81,270	360,020	3.60
Tricity	952,553	63,264	6.6%	28,777	137,385	166,707	3.60
Warsaw Inner City	881,771	108,124	12.3%	55,156	4,557	73,491	5.25
Szczecin	822,191	18,267	2.2%	10,010	49,708	56,085	3.60
Western Poland	734,334	7,392	1.0%	79,523	0	339,898	3.60
Eastern Poland	695,201	4,000	0.6%	44,826	0	100,617	3.50
Kraków	561,444	13,291	2.4%	32,460	0	90,992	3.75
Bydgoszcz & Toruń	413,740	24,250	5.9%	79,104	20,900	11,780	3.60
Opole	149,684	1,000	0.7%	10,483	0	83,768	3.60
Rest of Poland	290,293	22,853	7.9%	17,502	21,820	0	3.60
<b>POLAND TOTALS</b>	<b>21,508,426</b>	<b>1,405,426</b>	<b>6.5%</b>	<b>1,622,427</b>	<b>747,644</b>	<b>2,471,941</b>	<b>3.80/ BIG-BOX 5.25/ SBU</b>

### KEY LEASE TRANSACTIONS Q1 2021

PROPERTY	REGION	TENANT	SIZE (SQ M)	TYPE
Panattoni Park Poznań XI	Poznań	Confidential (logistics / e-commerce)	109,000	New lease (pre-let)
Loogic Park Radomsko	Central Poland	JYSK	54,000	New lease (pre-let)
GLP Łędziny Logistics Centre	Upper Silesia	Auchan	53,700	New lease (pre-let)

### SELECTED SALE TRANSACTIONS Q1 2021

PROPERTY	REGION	SELLER	BUYER	SIZE (GLA)
Project Phoenix	Various	Panattoni	Confidential	285,000
BTS Castorama (Stryków)	Central Poland	Tritax	Savills IM	101,200
Duo Portfolio	Upper Silesia	7R	M7 Real Estate	22,500

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YoY Chg 12-Mo. Forecast

**7.7%**  
Bucharest Vacancy Rate



**€4.10**  
Prime Rent, sq m/month



**8.00%**  
Prime Yield



### ECONOMIC INDICATORS Q1 2021

**-5.4% (F)**  
GDP (Q1 2021)



**5.2%**  
Unemployment Rate



**9.1% (F)**  
Industrial Production



**-2.2%**  
Retail Sales



Source: Moody's, National Institute of Statistics

### Demand remains consistent

The demand for Logistics space remained consistent in Q1 2021, with a total leasing activity of almost 200,000 sq. m, more than double when compared to Q1 2020, as the positive trend observed during the Covid-19 pandemic went forward to 2021 as well. Renewals represent only 16% out of the quarterly volume transacted, the activity being mainly driven by new demand. The most significant deals signed in Q1 2021 are pre-leases, which have a market share of more than 40%. Corteva Agriscience signed the largest transaction in Q1 2021 by securing a 23,000 sq. m space in a built-to-suit project in Bucharest, while a major retailer also pre-leased a 22,000 sq. m space in Transylvania region to accommodate a new distribution center. Bucharest attracted 59% of the transactions signed in Q1 2021, the Capital city being followed by Timisoara (10% market share), Pitesti (10%) and Brasov (7%). Demand was driven by various sectors, logistics and courier companies (22% market share), along with retail and ecommerce (18%), and Automotive (14%) being the most active.

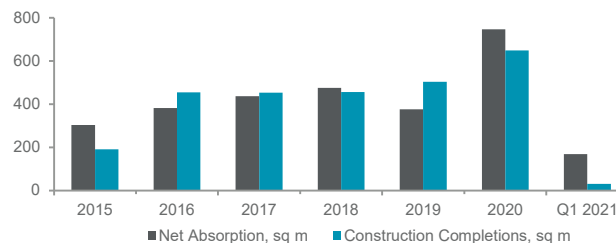
### The new supply was modest

During Q1 2021, the new supply of modern Logistics and Industrial spaces was modest, since the most significant delivery was represented by a 10,000 sq. m expansion of WDP Park Stefanesti I near Bucharest, fully leased by Decathlon who expanded its distribution center in this location to 40,000 sq. m. The vacancy rate slightly increased in Bucharest, reaching 7.7%, with an overall level of 5% across Romania.

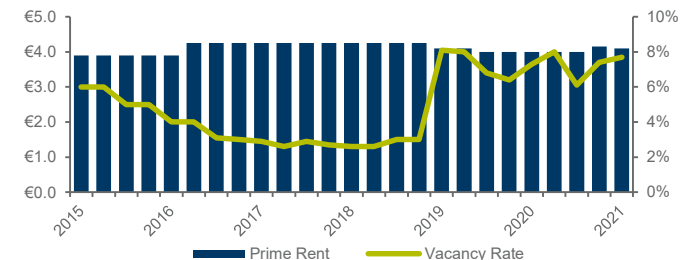
### Consistent pipeline

The pipeline for the rest of the year is consistent, as developers currently have new projects with a total area of more than 450,000 sq. m under construction in various cities. Bucharest remains the main hot spot, 55% of the new supply being developed around the capital city. Cluj - Napoca, Timisoara and Brasov, amongst the most important logistics hubs, and Craiova, where a new 58,000 sq. m distribution center for Profi is being developed, will also see major deliveries. Moreover, smaller cities, such as Turda, Dej (both of them in Cluj county) and Roman, in the Moldova region, will benefit from new logistics spaces due to their strategic position.

### SPACE DEMAND / DELIVERIES



### BUCHAREST OVERALL VACANCY & PRIME RENT



# MARKETBEAT ROMANIA

## Industrial Q1 2021



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### MARKET STATISTICS

SUBMARKET	STOCK (SQ. M)	AVAILABILITY (SQ. M)	VACANCY RATE	CURRENT QTR TAKE-UP (SQ. M)	YTD TAKE-UP (SQ. M)	YTD COMPLETIONS (SQ. M)	UNDER CNSTR (SQ. M)	PRIME RENT (€/SQ. M/MONTH)
Bucharest	2,371,700	182,200	7.7%	108,700	108,700	19,000	249,200	4.10
Timisoara	521,400	4,200	1%	19,000	19,000	-	47,300	3.75
Ploiesti	370,000	4,500	1.2%	-	-	11,000	-	3.75
Cluj - Napoca	312,500	3,500	1.1%	-	-	-	49,200	4.00
Brasov	282,000	2,500	0.8%	13,700	13,700	-	17,300	3.75
Pitesti	222,500	0	0%	20,700	20,700	-	15,200	3.75
Other Cities	514,700	35,500	6.9%	37,500	37,500	-	77,900	3.75
<b>ROMANIA</b>	<b>4,594,800</b>	<b>232,400</b>	<b>5%</b>	<b>199,600</b>	<b>199,600</b>	<b>30,000</b>	<b>456,100</b>	<b>4.15</b>

### KEY LEASE TRANSACTIONS Q1 2021

PROPERTY	SUBMARKET	TENANT	SIZE (SQ. M)	TYPE
Lazar Logistics	Bucharest	Corteva Agriscience	23,100	Pre-lease
WDP Park Stefanesti I	Bucharest	eMag	11,000	New lease
CTPark Bucharest North	Bucharest	PPG	7,500	New lease
P3 Bucharest A1	Bucharest	Agricover	6,000	Renewal
VGP Park Brasov	Brasov	ITC Logistic	5,800	Pre-lease

### KEY CONSTRUCTION COMPLETIONS Q1 2021

PROPERTY	SUBMARKET	MAJOR TENANT	SIZE (SQ. M)	OWNER/DEVELOPER
WDP Park Stefanesti I	Bucharest	Decathlon	10,000	WDP

### PIPELINE PROJECTS 2021

PROPERTY	SUBMARKET	MAJOR TENANT	SIZE (SQ. M)	OWNER/DEVELOPER
CTPark Bucharest West 20 – 21	Bucharest	Maersk – IB Cargo	101,800	CTP
WDP Park Craiova	Craiova	Profi	58,000	WDP
WDP Park Stefanesti II	Bucharest	epantofi.ro	50,000	WDP
CTPark Bucharest North II&III	Bucharest	-	40,000	CTP
VGP Park Timisoara D	Timisoara	Fartud	30,400	VGP

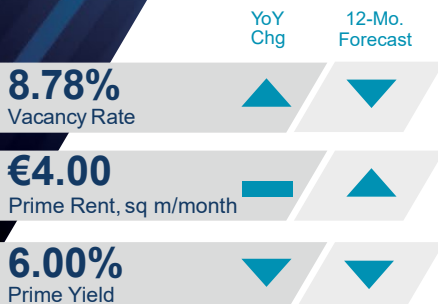
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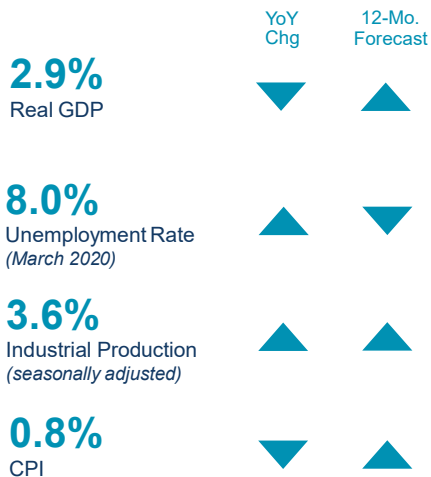
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### ECONOMIC INDICATORS Q1 2021



Measurement: Yoy change estimates, unless indicated otherwise.  
Source: Moody's, ÚSVaR

### ECONOMY: Prolonged Lockdowns Weighed On the Economy, but Pent-up Demand Should Accelerate Upcoming Recovery

The prolonged restrictions introduced due to the second wave of the COVID-19 pandemic weighed on the real output of Slovakia, resulting in a 5.2% contraction of GDP in 2020. The gradual easing in the second quarter of 2021 along with the continued government support is expected to contribute to the rebound in GDP growth, mostly driven by pent-up demand and maintained low borrowing costs. Slovakia's heavy focus on manufacturing is both a blessing and a curse, as the industrial sector is proving to be shielded from the direct impacts of the pandemic. Housing market has been bolstered by lower interest rates together with buyers, whose economic situation was not negatively affected by the lockdown, looking for more living space as commuting times matter less. With the assumed reopening of the economy in the later first half of 2021, a sharp rebound in spending should prop up consumer-oriented businesses.

### SUPPLY & DEMAND: With the Number of Speculative Projects Rising, Vacancy Reaches New Highs

Total industrial stock grew by 8% year-on-year as the adoption of online shopping accelerated the built-to-suit development for e-commerce companies seeking to expand their distribution centres. The total leasable space under construction was more than 263,100 sq m, which represents more than 45% year-on-year increase and more than 9% of the existing stock. There are currently 10 buildings under construction, 8 of which are in the Western Slovakia. Much of the industrial space under construction has already been pre-leased.

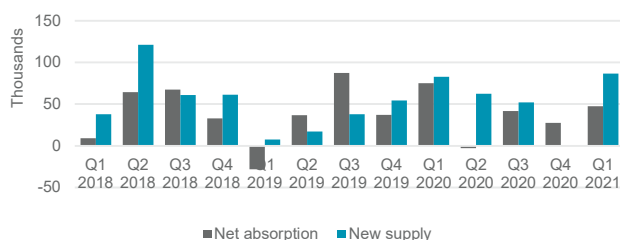
Vacancy rate increased by 1.14 percentage points to 8.78%, mainly due to newly built speculative stock. Quarterly net absorption reached 47,700 sq m and was positive in all four main regions. Total quarterly take-up recorded a 3.5% year-on-year growth, reaching 138,200 sq m. About a third of leased space consisted of renegotiations. The demand outlook in the industrial property sector remains positive since it's the most liquid segment of real estate in Slovakia.

### PRICING: Competitive Development Landscape Tames Rental Levels While Yields Sharpen

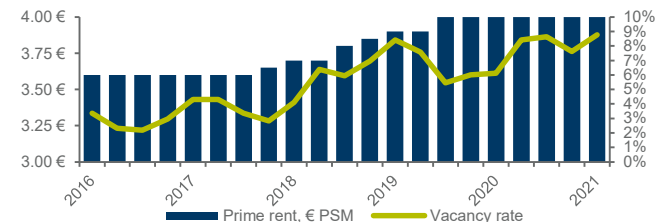
After the investment "de-risking" period, which largely benefited the industrial property sector, a partial rotation back towards other segments of real estate is anticipated in 2021. The assumed shift from unknown risks to known risks, as well as the easing of government restrictions support the ongoing negotiations which now indicate revival of investment activity across the commercial real estate landscape.

Prime industrial and logistics properties have consistently offered comparatively higher returns than those generated in the neighbouring countries while showing low volatility during the current cycle. Strong covenant remains key to pricing and combined with longer WAULT to break/expiry, our EOY outlook for prime logistics yields is optimistic at around 5.75% or lower. The main risk in logistics is the possibility of decreasing effective rents as some tenants may ask for incentives in return for longer leases. So far in 2021, we saw the completion of the sale of the Arete Invest CEE II sub fund to Cromwell European REIT which comprises of 11 industrial properties in the Czech Republic and Slovakia, and the acquisition of Immopark Žilina, which consists of existing buildings and land for further development in a strategic location near Žilina airport, by CTP. Leasing market grows organically with the needs of the market and the most common asking rent is 3.95 euros per sq m per month. With the recent influx of new leasing demand into logistics and distribution, we can see a rise in the prime rent this year, however, all will depend on the pricing strategies of the key landlords, especially in the current competitive environment within the main industrial hubs. There are still some pending vacancies, but these don't affect the wider pricing levels.

### SPACE DEMAND / DELIVERIES (SM)



### OVERALL VACANCY & PRIME RENT



### MARKET STATISTICS

SUBMARKET	INVENTORY (SQ M)	AVAILABILITY (SQ M)	OVERALL VACANCY RATE	CURRENT QTR TAKE-UP	YTD OVERALL TAKE-UP(SQ M)	UNDER CONSTRUCTION (SQ M)
Bratislava Region	1,438,700	101,800	7.08%	89,100	89,100	94,700
Western Slovakia	1,117,400	111,500	9.98%	31,900	31,900	132,200
Central Slovakia	120,400	27,000	22.46%	16,700	16,700	25,000
Eastern Slovakia	136,900	6,600	4.84%	500	500	11,200
<b>SLOVAKIA TOTALS</b>	<b>2,813,400</b>	<b>246,900</b>	<b>8.78%</b>	<b>138,200</b>	<b>138,200</b>	<b>263,100</b>

*The data is based on class A, non-owner occupied leasable stock.*

### KEY CONSTRUCTION COMPLETIONS Q1 2021

PROPERTY	REGION	AREA (SQ M)	OWNER
P3 Bratislava Airport DC - A	Bratislava region	65,297	GIC (P3)
Mountpark Sered - E	Tmava region	25,760	Mountpark

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