

5.5%
Vacancy Rate



€4.25
Prime Rent, Sq m/month



4.75%
Prime Yield



Overall, All Property Classes
Source: Industrial Research Forum

ECONOMIC INDICATORS Q1 2020

1.0%
GDP



3.0%
Unemployment Rate



-2.3%
Industrial Production



0.6%
Private Consumption



Annual growth unless otherwise indicated
Source: Oxford Economics

ECONOMY: Closed borders and restrictions on foreign workers hinder industrial market performance

Although the industrial market has not been as severely affected by the COVID-19 epidemic as the hospitality or retail market, the struggling of others, together with the launch of quarantines and the closing of borders between European countries, has had an impact. Furthermore, the related logistics and storage sectors are now facing difficulties due to suspended deliveries of goods from the affected areas and employees being quarantined. A significant proportion of employees in industrial parks are foreign workers, and government regulations have restricted their ability to work. This all has a negative effect on the mood of investors and has led to the postponement of important decisions and transactions. The Czech economy is highly dependent on the automotive industry, which has been completely suspended for several weeks. This will influence not only the sector but the whole economy, for which GDP is currently expected to decline -1.7% y/y in 2020.

SUPPLY AND DEMAND: Interest in short-term leases and flexibility is growing

The construction sector, in general, started to slow down due to the current lack of foreign workers and constraints on supplies of material. Nevertheless, in the Q1, a total of 211,100 sq m of warehouse space in 12 industrial parks was completed and another of 541,300 sq m of warehouse and production space was under construction. Gross take-up realized (including renegotiations) in the first quarter of 2020 reached a total of 270,400 sq m and recorded a slight decrease of 5% compared to the previous quarter.

The real impact of COVID-19 crisis will not be seen until later in the year. At the moment, the majority of planned projects are being postponed, by a year at least. It is safe to say, the logistics sector is undergoing major changes. There is a mix of optimism and uncertainty among developers. Social distancing and closure of brick and mortar shops have increased the demand for e-commerce which is good news for logistics. On the other hand, we are recording an increase in online retailers' demand for short-term lease of storage space which was confirmed in Q1 when distribution companies were the main driver of new demand, accounting for 39% of the total volume. Flexibility will be the keyword for the sector's future.

PRICING: Prime rents remain stable in Q1 2020

Prime rents remain unchanged ranging from €3.30/sq m/month in secondary locations to €4.25 in Prague for 5,000-10,000 sq m unit. Smaller logistics or manufacturing units can be rented for up to €4.50 in Prague. Average discount to effective rent can reach 0-10% within rent free periods or fit-out contributions.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & PRIME RENT



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	3,161,633	124,181	3.9%	130,621	130,621	22,047	62,080	4.25
Pilsen	1,213,126	90,277	7.4%	57,340	57,340	26,300	124,114	4.20
Brno (South Moravia)	1,105,104	69,679	6.3%	20,351	20,351	18,332	63,135	4.00
Ostrava (Moravia-Silesia)	713,324	70,211	9.8%	2,473	2,473	68,054	127,229	4.00
Central Bohemia	622,111	26,243	4.2%	10,172	10,172	7,652	29,035	
Ústí nad Labem	553,333	65,352	11.8%	47,404	47,404	64,418	7,921	
Liberec	308,536	0	0.0%	0	0	0	8,774	
Olomouc	238,763	12,957	5.4%	3,431	3,431	0	43,503	
Karlovy Vary	179,898	10,557	5.9%	0	0	0	42,926	
Pardubice	178,728	0	0.0%	0	0	0	0	
Hradec Králové	154,461	0	0.0%	0	0	0	22,000	
Vysočina	144,185	6,973	4.8%	0	0	0	10,624	
České Budějovice (South Bohemia)	34,348	0	0.0%	0	0	0	0	
Zlín	16,680	0	0.0%	0	0	4,300	0	
CZECH REPUBLIC TOTALS	8,624,231	476,430	5.5%	271,792	271,792	211,103	541,341	4.25

Source: Industrial Research Forum

KEY LEASE TRANSACTIONS Q1 2020

PROPERTY	SUBMARKET	TENANT	SIZE (SQ M)	TYPE
Prologis Park Prague D1 East	Prague	Gefco	14,472	renegotiation
P3 Prague Horní Počernice	Prague	MailStep	14,012	renegotiation
P3 Prague Horní Počernice	Prague	WAVIN Ekoplastik	13,184	renegotiation

KEY CONSTRUCTION COMPLETIONS Q1 2020

PROPERTY	SUBMARKET	MAJOR TENANT	SIZE (SQ M)	OWNER/DEVELOPER
P3 Lovosice	Ústí nad Labem	Speculative	60,954	P3
Ostrava Airport Multimodal Park	Ostrava	GEIS	48,864	Concens Investments
Industrial Park Tachov	Pilsen	Speculative	26,300	ML Moran

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