

	YoY Chg.	12-Mo. Forecast
4.6% Vacancy Rate	▲	▬
€4.30 Prime Rent, Sq m/month	▲	▬
4.75% Prime Yield	▼	▬

Overall, All Property Classes

ECONOMIC INDICATORS Q2 2020

	YoY Chg.	12-Mo. Forecast
-11.8% GDP*	▼	▲
3.7% Unemployment Rate	▲	▲
-17.8% Industrial Production*	▼	▲
-12.8% Private Consumption*	▼	▲

*Annual growth forecasts
Source: Oxford Economics, Czech Ministry of Labour and Social Affairs

ECONOMY: Vulnerability of supply chains exposed with Covid-19 crisis

The closure of borders at the end of March complicated international logistics processes. Trucks were delayed and supply chains, often operating in just-in-time mode, had to face challenges similar to those during pre-Schengen era. Many factories had to be closed for several weeks as a consequence, including Škoda and other automotive companies. This has been confirmed by published statistics: industrial production fell by 32.8% y/y in April. Overall, GDP is expected to fall by 6.5% y/y in 2020, with consumption contracting by 5.7%. The Czech economy is expected to recover towards the end of H2 followed by 7.4% growth in 2021.

Although European logistics worked smoothly again at the end of June, the intercontinental freight has been still exposed to the vulnerability of global supply chains. Many companies started to look for closer suppliers and production opportunities. This could in the long run help the European industrial market, especially in the Czech Republic, which was recently ranked the highest in Europe by the Cushman & Wakefield Manufacturing Risk Index.

SUPPLY AND DEMAND: Speculative supply being reduced, planned warehouses waiting for tenants

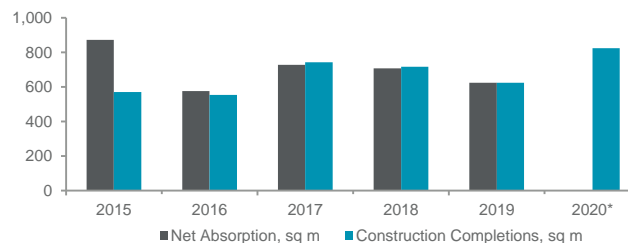
The construction of new warehouses began to slow down, with the shift towards build-to-suit strategy clearly visible in Q2. However, the current pipeline consists of more than one million sq m of warehouse projects waiting for their construction until pre-leased. Almost 220,000 sq m of logistics space were completed in Q2, the highest volume in three years. Despite many remaining projects being delayed, significant amount of new space should still be added to the stock by the end of the year.

The take-up in Q2 was 14% higher than in the previous quarter, so the effect of Covid-19 crisis has not demonstrated yet. The demand was obviously driven by the logistics sector benefiting from the expansion of e-commerce, although more than one third of net take-up was created by automotive producers. The question is how long the market will be able to absorb the newly completed space in the future.

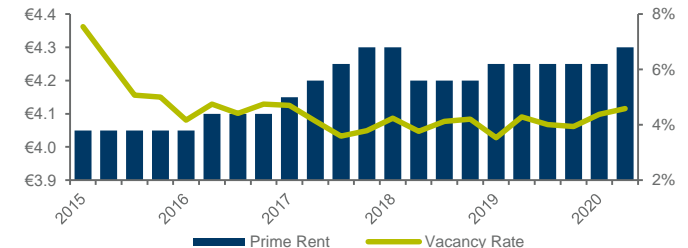
PRICING: There is still some space for rental growth

Prime rents for larger logistics units increased to €4.30 per sq m in Q2 in Prague, which remains highly sought after location by 3PL companies.

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	3,199,200	73,600	2.3%	134,000	264,700	59,100	24,500	4.30
Pilsen	1,262,900	91,600	7.3%	123,900	223,500	75,800	114,500	4.20
Brno (South Moravia)	1,121,400	71,300	6.4%	18,300	38,700	34,700	73,800	4.00
Ostrava (Moravia-Silesia)	713,400	73,400	10.3%	18,300	24,400	68,100	145,700	4.00
Central Bohemia	626,000	11,400	1.8%	20,100	30,300	11,800	34,000	
Ústí nad Labem	561,300	64,600	11.5%	21,400	68,800	72,300	6,700	
Liberec	312,300	0	0.0%	1,600	1,600	0	10,400	
Olomouc	259,500	17,100	6.6%	7,500	11,000	20,700	0	
Karlovy Vary	198,700	0	0.0%	0	0	29,900	13,000	
Pardubice	178,700	0	0.0%	0	0	0	19,000	
Hradec Králové	176,500	0	0.0%	0	0	22,000	0	
Vysočina	154,800	1,800	1.1%	15,200	15,200	10,600	0	
České Budějovice (South Bohemia)	34,300	0	0.0%	0	0	0	0	
Zlín	16,700	0	0.0%	0	0	4,300	0	
CZECH REPUBLIC TOTALS	8,815,800	404,800	4.6%	360,500	678,200	409,400	441,600	4.30

KEY LEASE TRANSACTIONS Q2 2020

PROPERTY	SUBMARKET	TENANT	SIZE (SQ M)	TYPE
CTPark Bor	Pilsen	Confidential	60,500	pre-lease
Pilsen West Industrial Park	Pilsen	Faurecia Plzen	37,200	pre-lease/renegotiation
Prologis Park Prague D1 West	Prague	Confidential	22,000	renegotiation

KEY CONSTRUCTION COMPLETIONS Q2 2020

PROPERTY	SUBMARKET	MAJOR TENANT	SIZE (SQ M)	OWNER/DEVELOPER
Panattoni Park Cheb II	Karlovy Vary	Real Digital	29,900	Panattoni
Týniště nad Orlicí	Hradec Králové	Cataler	22,000	Demaco
Prologis Park Prague – Úžice	Prague	Speculative	21,300	Prologis

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