

# CZECH REPUBLIC Industrial Market Snapshot

Third Quarter | 2019



## MARKET INDICATORS

### Market Outlook

Prime Rents:	Rents keep stable in most of the main regions.	▶
Prime Yields:	Space for yield compression exists especially in the secondary locations.	▶
Supply:	New supply slowing down, but still strong within CEE region.	▶
Demand:	Demand is expected to remain stable in the following period.	▶

### Prime Industrial Rents – September 2019

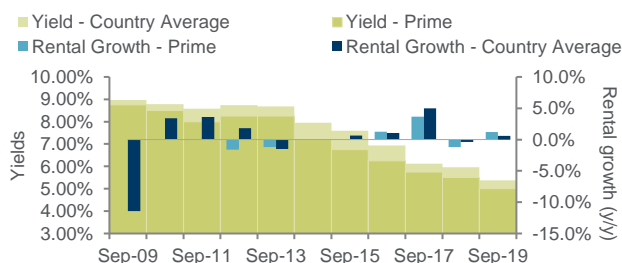
LOGISTICS LOCATION	€	€	US\$	GROWTH %	
	SQ.M MTH	SQ.M YR	SQ.FT YR	1YR	5YR CAGR
Prague	4.25	51.0	5.35	1.2	2.3
Brno	4.00	48.0	5.03	0.0	-0.2

### Prime Industrial Yields – September 2019

LOGISTICS LOCATION (FIGURES ARE GROSS, %)	CURRENT	LAST	LAST	10-YEAR	
	Q	Q	Y	HIGH	LOW
Prague	5.00	5.00	5.50	8.75	5.00
Brno	5.50	5.50	6.10	9.50	5.50

With respect to the yield data provided, in light of the changing nature of the market and the costs implicit in any transaction, such as financing, these are very much a guide only to indicate the approximate trend and direction of prime initial yield levels and should not be used as a comparable for any particular property or transaction without regard to the specifics of the property.

### Recent performance



## Overview

Decelerating investment activity and persistent trade uncertainty led to GDP growth forecasts of 2.6% in 2019 and 1.9% in 2020. Meanwhile, Moody's has raised Czech credit rating for the first time in 17 years from A1 to Aa3, citing the country's strong budget performance and low debt.

The industrial stock y/y growth was the lowest in the past three years in Q3 2019, but still exceeding 8%. Over a third of total stock is placed in Greater Prague region, while Central Bohemia surrounding Prague is currently the fastest growing region in the Czech Republic. The highest amount of new supply YTD was delivered in Moravia-Silesia region, which becomes more and more attractive location. In total, 453,500 sq m of industrial stock were completed in 2019 and about 182,000 should be delivered by the end of the year.

## Occupier focus

Despite a slight decline in gross take-up in the third quarter, the YTD take-up reached record high. With a relatively low new supply, this resulted in a decrease in vacancy rate, which dropped to 4.2 % in Q3. However, in absolute terms there is still significant amount of vacant space in the industrial market reaching 344,000 sq m. 3PL sector was again the dominant sector in the third quarter, however in a longer term, production is the strongest driver of the demand for industrial space in the Czech Republic. Prime rents remained stable throughout the country but expected to start declining particularly in regions with a growing vacancy (South Moravia).

## Investment focus

The combination of lack of product and high demand from all types of investors continues to define the market. Korean investors fronted by UK AM acquired the Amazon Dobrovíz warehouse for a yield close to 4%, breaking yield records for the segment and further confirming the market sentiment. The outlook for further activity is still limited due to absence of assets to sell.

## Outlook

With the situation in the German industrial sector and world trade remaining uncertain, the outlook for 2020 is reserved. On the other hand, household consumption continues to be strong and can offset some of the negative influences.

### Marie Baláčová

Head of Research CZ & SK  
Quadrio Offices  
Purkyňova 3, 110 00 Praha 1, Czech Republic  
Tel: +420 234 603 740  
[marie.balacova@cushwake.com](mailto:marie.balacova@cushwake.com)  
[cushmanwakefield.cz](http://cushmanwakefield.cz)