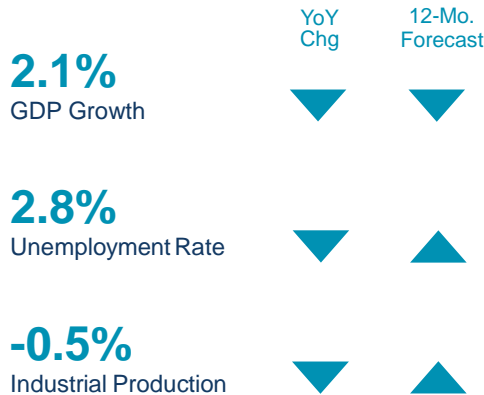


Overall, All Property Classes
Source: Industrial Research Forum

ECONOMIC INDICATORS Q4 2019



Annual growth unless otherwise indicated
Source: Oxford Economics

ECONOMY: Industry and investment remain weak, contributing to the slowdown

After a surprising upward rise in Q2, the Czech economy slowed in Q3 with a GDP growth rate of 0.3% q/q. The slowdown was due to persistent weakness in investments, which recorded its third consecutive quarterly contraction. In addition, industry had a drag on it's growth. Outlook for the Czech industry is also cautious due to the possibility of a disorderly Brexit. The household sector was unable to reverse the slowdown as consumption essentially stalled in Q3. However, consumption is expected to pick up in Q4 as underlying wage growth remains strong given the buoyant labour market. Despite weaker export growth and increase in imports, the trade balance remained in surplus in Q3.

SUPPLY AND DEMAND: Production sector driving demand in 2019

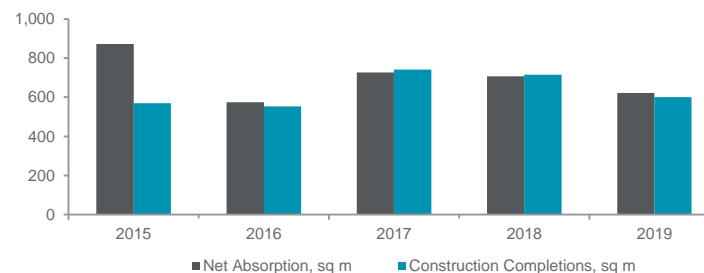
Despite higher development activity in Q4, the total new supply in 2019 was the lowest since 2016. The majority of completions took place in the regions of Greater Prague, Moravia-Silesia, Central Bohemia and South Moravia, and the most active developers were both traditional companies such as CTP Invest, Panattoni, and P3 and newcomers like that of Concens Investment. Pipeline for the next year remains strong with about 0.6 million sq m of industrial space currently under construction located mainly in Pilsen and Moravia-Silesia regions. About 59% of the stock under construction is already preleased.

The vacancy rate remains very low since the end of 2015, however in absolute terms there is still about 340,000 sq m of vacant space, about a third of which is around Prague, although single units exceeding 10,000 sq m available for immediate occupation are rare. Demand for industrial space increased in 2019 with net take-up growth of almost 20%YoY, driven mostly by the production (automotive) sector, which accounted for about 51% of net take-up and was present across the whole country. Distribution and logistics sectors accounted for demand mainly in Prague and South-Moravia regions.

PRICING: Prime rents remain stable

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)	OVERALL VACANCY RATE	CURRENT QTR TAKE-UP (SQ M)	YTD TAKE-UP (SQ M)	UNDER CNSTR (SQ M)
Prague	3,137,533	111,407	3.6%	105,780	525,389	61,624
Pilsen	1,186,826	55,452	4.7%	47,767	175,431	124,114
Brno (South Moravia)	1,086,772	77,368	7.1%	36,570	188,413	79,334
Ostrava (Moravia-Silesia)	635,388	32,366	5.1%	16,647	177,231	163,922
Central Bohemia	607,475	15,139	2.5%	15,933	158,385	36,687
Ústí nad Labem	480,265	31,250	6.5%	6,287	21,028	59,134
Liberec	290,731	0	0.0%	0	5,260	8,774
Olomouc	237,296	12,471	5.3%	9,144	59,785	43,503
Pardubice	178,728	0	0.0%	12,898	16,590	0
Karlovy Vary	179,898	0	0.0%	16,590	51,391	42,926
Vysočina	144,185	6,973	4.8%	0	14,688	0
Hradec Králové	154,461	0	0.0%	6,590	8,716	22,000
České Budějovice (South Bohemia)	34,348	0	0.0%	0	0	0
Zlín	12,380	0	0.0%	0	0	4,300
CZECH REPUBLIC TOTALS	8,366,287	342,426	4.1%	274,206	1,402,307	646,318

Source: Industrial Research Forum

KEY LEASE TRANSACTIONS Q4 2019

PROPERTY	SUBMARKET	TENANT	SIZE (SQ M)	TYPE
Logistika Park Pardubice	Pardubice	Faurecia Interiors Pardubice	16,590	Pre-lease
CTPark Brno	Brno	Inventec	11,330	New lease
P3 Park Horní Počernice	Prague	Velká pecka	11,002	New lease

KEY CONSTRUCTION COMPLETIONS YTD 2019

PROPERTY	SUBMARKET	MAJOR TENANT	SIZE (SQ M)	OWNER/DEVELOPER
Ostrava Airport Multimodal Park	Ostrava	DHL	56,260	Concens Investments
P3 Prague D11	Prague	DHL	46,056	P3
Panattoni Park Prague Airport II	Prague	Panalpina/Via Pharma	44,590	Panattoni

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