

Czech Republic Industrial Market




INDUSTRIAL STOCK & SUPPLY

In Q2 2019, developer-led modern industrial stock in the Czech Republic grew by 124,880 sq m and thanks to these new deliveries the total industrial inventory exceeded the 8 million mark, reaching 8.09 million sq m. Prague currently houses 3.02 million sq m of the total.

More than a third of the Q2 2019 new supply (36%) was unoccupied at completion. This figure was, however, considerably affected by the speculative development of a 34,800 sq m hall at Prologis Park Brno, which was at the same time the largest building completed during the second quarter of this year. This also meant that the largest volume of new deliveries were located in the South Moravia region (32%), closely followed by the region of Moravia-Silesia with 29%.

New industrial supply in H1 2019 came to 304,200 sq m, being slightly above the five-year average. Total annual supply for the entire year could come to between 400,000 sq m and 464,000 sq m, depending on whether tenants are secured also for the shell & core units included in the construction pipeline.

As more projects entered construction phase, the active development pipeline expanded to the total volume of 671,300 sq m. At the end of Q2 2019, 43% of all this space was still available for lease. Construction at regional submarkets is

outpacing the capital. The table is topped by the Moravia-Silesia region, where 115,400 sq m is currently under construction, followed by the Ústí nad Labem and Pilsen regions. Prague ranks 4th with construction underway on 78,000 sq m.

VACANCY

Vacancy rate in the country increased by 25 basis points (bps) to 4.0%, representing 326,400 sq m of space available for immediate lease. This increase was mainly the result of speculative completions delivered to the market in Q2 2019.

In the capital city, the volume of unoccupied A-class industrial space decreased to 78,000 sq m, which translates to a vacancy rate of 2.6%. Similar volume of vacant space is found in the South Moravia region, but only 35,100 sq m is available directly within the Brno city and its immediate vicinity (Tuřany airport and Šlapanice).

Some of the smaller (based on modern developer led industrial stock volume) Czech regions continue to report full occupancy levels. This is the case of the Hradec Králové, Pardubice, South Bohemia and Zlín regions. New logistic and light production halls are being built in Karlovy Vary and Liberec regions and in both locations the space is still available for potential tenants.

Czech industrial market in Q2 2019



8.09 million sq m

Total A-class stock
in the Czech Republic



124,800 sq m

Industrial space supply
in Q2 2019
(down by 30% q-o-q)



4.0%

Nationwide vacancy rate
(up by 25 bps q-o-q)



344,300 sq m

Gross take-up in Q2 2019
(up by 14% y-o-y;
down by 11% q-o-q)



240,300 sq m

Net take-up in Q2 2019
(up by 16% y-o-y;
up by 16% q-o-q)

Source Savills

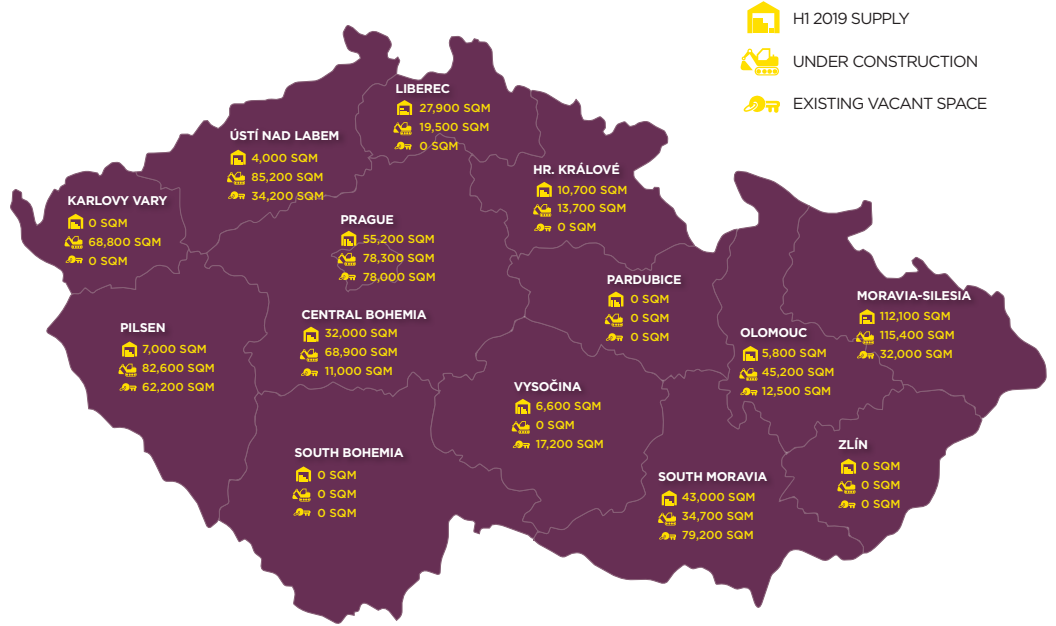
H1 2019 MARKET SUMMARY

304,200 sq m
OF NEW SPACE BUILT

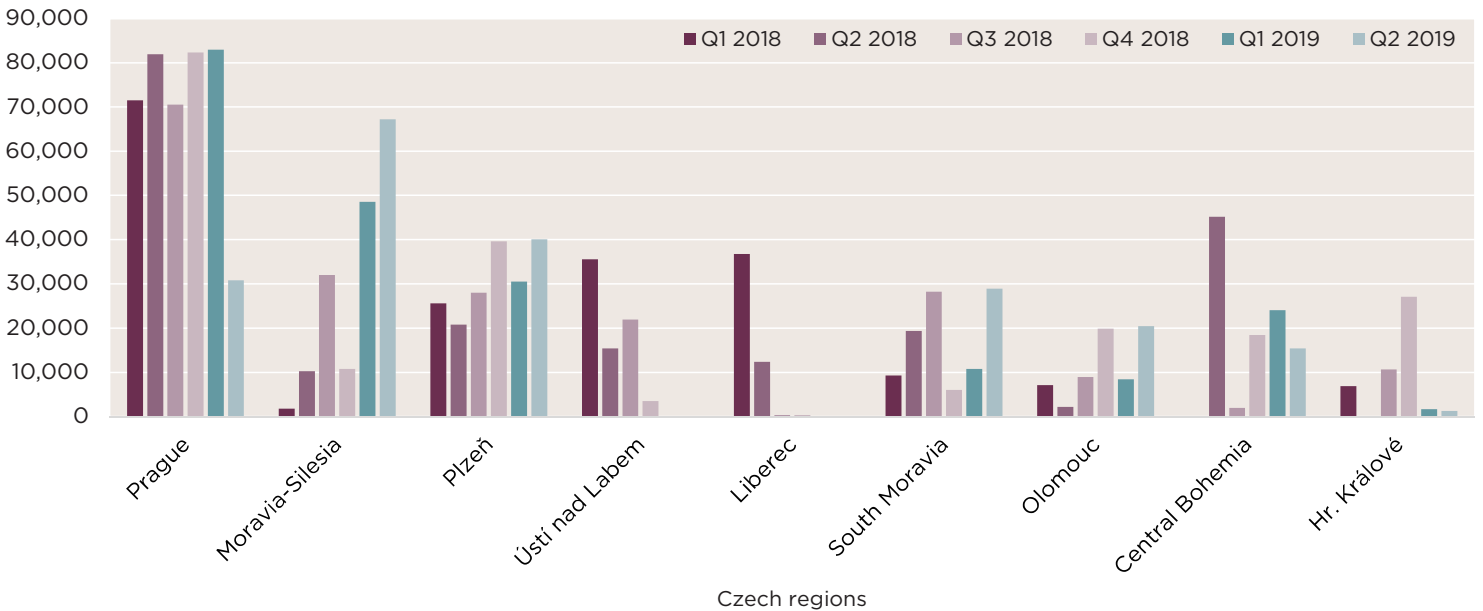
729,500 sq m
TOTAL LEASING ACTIVITY

447,300 sq m
NET TAKE-UP

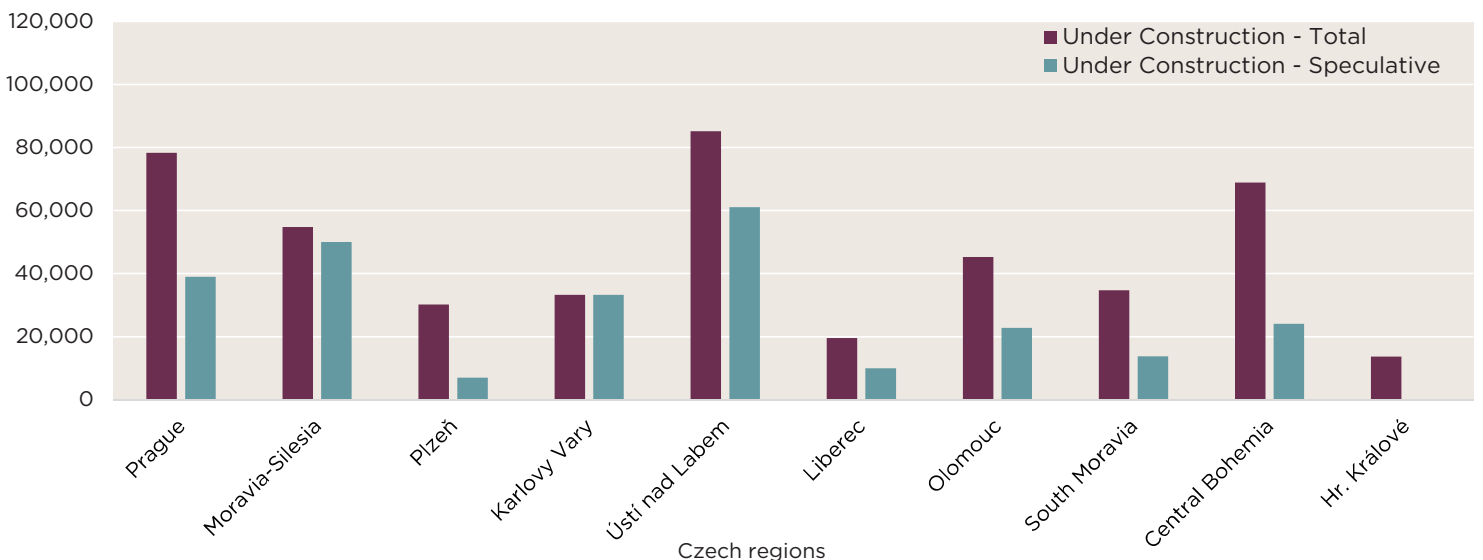
233,000 sq m
PRE-LEASES SIGNED



Net take-up by region



Development pipeline



DEMAND

Total leasing activity in the Czech Republic during Q2 2019 amounted to 344,300 sq m, which was 11% below the results of the previous quarter but a 14% improvement year-on-year.

Net take-up (i.e. signed leasing transactions excluding lease renewals and prolongations) reached 240,300 sq m, showing a 16% increase compared to the Q1 results and also the same period last year. Low availability rates have pushed the volume of pre-leases up to 60% of the net take-up recorded in Q2 2019. The largest volumes of space were pre-leased in the Moravia-Silesia and Karlovy Vary regions, taking away the predominance of Prague seen in the past few years. This was thanks to the three largest transactions of the second quarter been signed in Panattoni Park Cheb II. and CTPark Ostrava.

Nevertheless, the capital city still remained the most active industrial market during Q2 2019 in overall terms. High volume of lease renewals signed in Prague helped the city in reaching a 26% share of all leasing activity recorded in the country during Q2 2019.

Similarly to the previous quarter, manufacturing companies continued to drive new demand for modern industrial space in the Czech Republic also in Q2 2019, standing behind more than half of the total net take-up volume.

RENT LEVELS

Headline rents remain unchanged, starting at around €3.65 per sq m a month in tertiary locations and climbing to around €4.90 in Prague. Headline rents for smaller units (around 1,000 sq m or less) are in the range of €5.10 – €5.60 per sq m a month across the country.

Mezzanine office space is typically leased for €8.50 – €9.50 per sq m a month.

Monthly fees for service charges commonly reach €0.55 - €0.70 per sq m, but might come to €0.90 – €1.00 in case of small business units of around 500 sq m.

Incentives offered by landlords are mostly in the form of rent free periods or fit-out contributions and on average result in a 5% discount on the headline rent.

Regional rents (5,000 sq m unit, 5-year lease)

Submarket	Monthly headline rents
Prague	€3.85 - €4.90
Ostrava	€3.65 - €4.35
Brno	€3.85 - €4.75
Pilsen	€3.85 - €4.75
Tertiary locations	€3.65 - €4.35

Savills team

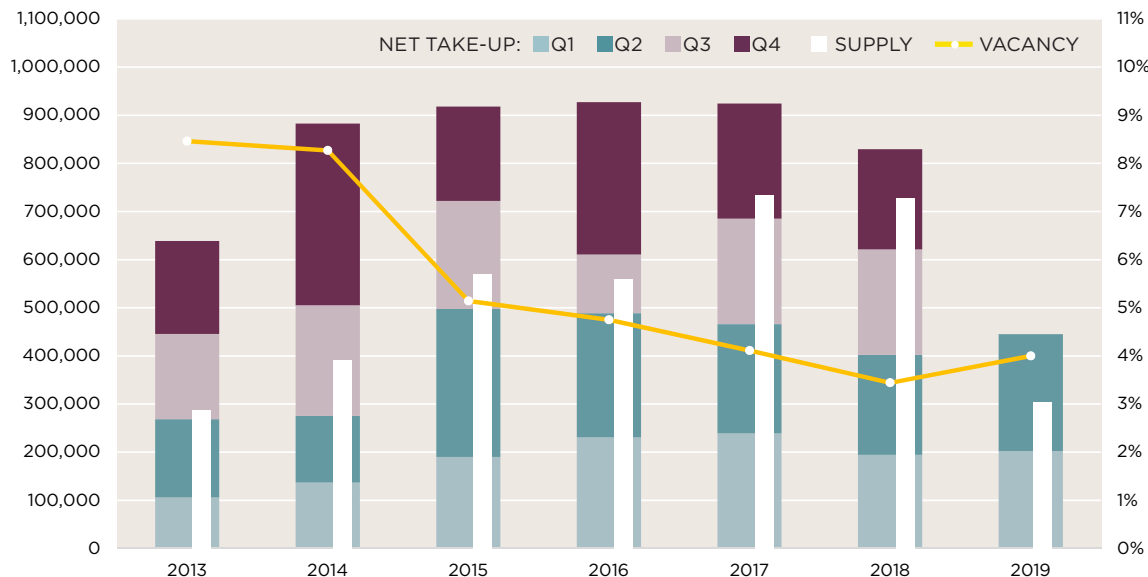
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“Industrial market in the Czech Republic has matured in Q2 2019 when surpassing the 8 million sq m stock figure. The depth of the market on the investment as well as on the take-up side is still encouraging, although negative signs are starting to come from outside.”

Net take-up & vacancy rate



Source Savills, historic data - IRF

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DEFINITION OF TERMS

TOTAL STOCK includes all A-class warehouses and production facilities developed or owned by a developer and/or investor, which are being leased to third parties. Owner-occupied and B-class premises are excluded.

SUPPLY represents the volume of A-class warehouses and production facilities where construction was completed in the specified time period. Owner-occupied premises are not tracked.

DEVELOPMENT PIPELINE comprises A-class warehouses and production facilities that are under construction in the specified time period (projects put on-hold are excluded). Owner-occupied premises are not tracked.

VACANCY RATE demonstrates the share of unleased space within completed buildings included in Total Stock. Units under short-term lease or under offer (with Heads of Terms signed) are considered vacant. For the purposes of vacancy calculation, the unit is leased upon signature of a binding commitment (e.g. Lease Agreement, Amendment etc.)

GROSS TAKE-UP represents the total leasing activity that was recorded within A-class buildings (existing, planned or under construction), which are part of Total Stock. This includes pre-leases, new leases, lease prolongations, lease renegotiations, expansions and subleases. Short-term leases (for a period shorter than 12 months) are excluded. Transactions are recorded based on a signature date, not based on unit occupancy.

NET TAKE-UP follows the same principles as Gross Take-Up, but excludes lease renegotiations and prolongations.

HEADLINE RENTS are rents achieved within standard A-class warehousing units of around 5,000 sq m based on a 5-year lease term. Any above-standard building modifications and fit-outs are excluded. Headline rents exclude any incentives provided by the landlord.

SAVILLS IN THE CZECH REPUBLIC

Savills office in the Czech Republic was established in February 2017. Since then, we have created a full-service office staffed by a team of professionals who are highly recognised on the market.

We have very much established Savills as a leading real estate advisor for the Czech and Slovak markets and, therefore, have made significant progress to achieving our goal of being the real estate advisor of choice for our clients.

Key services offered in the Czech & Slovak Republics include:

- Investment, Sales & Acquisitions
- Office leasing & Tenant representation
- Industrial leasing & Tenant representation
- Asset & Property management
- Client accounting
- Valuation & Advisory
- Building & Project consultancy
- Research

MEET US AT THESE EVENTS AND FAIRS THIS YEAR

SEPTEMBER 2019	OCTOBER 2019	NOVEMBER 2019
<ul style="list-style-type: none">• CEE Property Forum, Vienna• CEDEM, Prague	<ul style="list-style-type: none">• EXPO Real, Munich	<ul style="list-style-type: none">• Speedchain, Prague• LOG-IN, Prague• Best of Realty, Prague

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