

CZECH REPUBLIC Industrial Market Snapshot

First Quarter | 2017



Overview

The industrial sector saw Q1 rental increases across all regions of the country with further rises expected in the coming quarters. Prime industrial yields also strengthened but are now expected to stabilise. The positive economic situation in the Czech Republic has contributed significantly to development in the sector.

Occupier focus

Vacancy rates in the Czech Industrial market remain low which is putting positive pressure on rents. Market conditions favour Landlords especially those with assets in prime locations. Rental growth is expected to continue during 2017.

The most popular locations are Prague, Brno and Plzen, as well as cities located close to major borders. Proximity to transport hubs is still the dominant factor in terms of industrial demand. New supply for 2017 is expected to be focused on meeting current demand with no surplus expected. Due to the limited space available to lease at present, pre-leases will comprise the major share of the industrial pipeline.

Investment focus

Prime yields in Prague stand at 6.00% showing an improvement on the previous quarter. The largest transaction in Q1 2017 was the purchase of Karlovarská Business Park in Prague.

The Industrial sector is seeing strong interest from Western investors but a lack of institutional quality product is limiting activity. There is only 1 major industrial transaction currently in the pipeline.

Outlook

The market as a whole is expected to continue to develop positively although a lack of investment product will limit transactional activity. Rents are expected to increase further. Developers continue to search for land opportunities.

MARKET INDICATORS

Market Outlook

Prime Rents:	Rents increased slightly and expected to rise further during a year.	▼
Prime Yields:	Yields strengthen and forecasted to stabilized at current level.	▲
Supply:	Developers are searching for new suitable opportunities.	▼
Demand:	High share of pre-let is observed in pipeline projects, based on strong demand.	▼

Prime Industrial Rents – March 2017

LOGISTICS LOCATION	€	€	US\$	GROWTH %	
	SQ.M MTH	SQ.M YR	SQ.FT YR	1YR	5YR CAGR
Prague	4.00	48.0	4.85	3.9	1.0
Brno	4.15	49.8	5.04	2.5	-0.2

Prime Industrial Yields – March 2017

LOGISTICS LOCATION (FIGURES ARE GROSS, %)	CURRENT	LAST	LAST	10 YEAR	
	Q	Q	Y	HIGH	LOW
Prague	6.00	6.25	6.75	8.75	6.00
Brno	6.50	7.00	8.00	9.50	6.50

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

