

CZECH REPUBLIC Industrial Market Snapshot

First Quarter | 2018



MARKET INDICATORS

Market Outlook

Prime Rents:	Rents continue to increase in prime locations and in some segments of the market (small area logistics).	▶
Prime Yields:	Yields remain stable in prime as well as secondary locations.	▶
Supply:	New supply grows with a record high speculative construction.	▶
Demand:	Demand is strong and continues to rise supported by favourable economic conditions.	▶

Prime Industrial Rents – March 2018

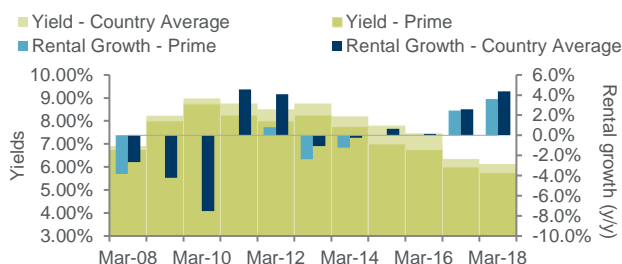
LOGISTICS LOCATION	€		US\$	GROWTH %	
	SQ.M MTH	SQ.M YR	SQ.FT YR	1YR	5YR CAGR
Prague	4.20	50.4	5.85	5.0	2.0
Brno	4.30	51.6	5.99	3.6	1.0

Prime Industrial Yields – March 2018

LOGISTICS LOCATION (FIGURES ARE GROSS, %)	CURRENT	LAST	LAST	10 YEAR	
	Q	Q	Y	HIGH	LOW
Prague	5.75	5.75	6.00	8.75	5.75
Brno	6.20	6.20	6.50	9.50	6.20

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

GDP growth reached 4.5% in 2017 and the Czech economy continued to grow at the beginning of the year, although a temporary slowdown is expected with forecast set at 3.5% for 2018. The developers of industrial premises react with a speculative construction, as demand still exceeds supply.

Occupier focus

Production, third party logistics and distribution remain the main drivers of current demand for industrial space, with automotive, medical and e-commerce being the most active production sectors.

While level of new supply remains stable throughout Czech regions, the share of speculative construction increases significantly. Apart from traditionally strong areas near Pilsen and Brno, relatively high construction activity is observed in the Ústí nad Labem and Karlovy Vary region. The absorption remains positive and vacancy rate relatively low.

Investment focus

Investment opportunities remain limited on the industrial market as well as other sectors of commercial real estate, with stable yields on a relatively low level. Only one transaction has been recorded in the first quarter of 2018: Arete Invest purchased Industrial Park Vyškov in South Moravian region.

Outlook

The industrial market is booming with both very high construction and active demand both in traditional locations near large cities and in regions. On the other hand, poor demographics and migration of workers to other EU countries causing labour scarcity will be the main risk to growth prospects of the Czech economy.

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