**CZECH REPUBLIC**

# Industrial Market Snapshot

**Third Quarter | 2018**

CUSHMAN & WAKEFIELD

## MARKET INDICATORS

### Market Outlook

| | |
|---|---|
| Prime Rents: | Rents increase in some regions outside traditionally attractive locations. |
| Prime Yields: | Yields remain stable in prime locations with space for compression in the secondary ones. |
| Supply: | New supply strongest in the CEE region. |
| Demand: | Demand is strong and continues to rise, supported by favourable economic conditions. |

### Prime Industrial Rents – September 2018

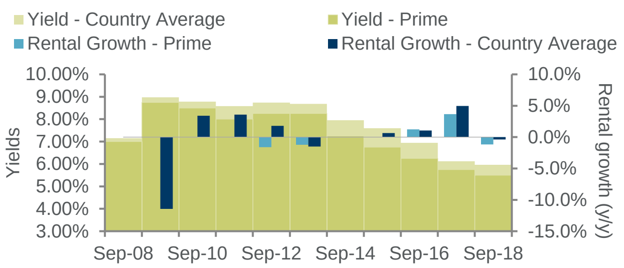
| LOGISTICS LOCATION | € SQ.M MTH | € SQ.M YR | US$ SQ.FT YR | GROWTH % 1YR | GROWTH % 5YR CAGR |
|---|---|---|---|---|---|
| Prague | 4.20 | 50.4 | 5.47 | 1.2 | 2.0 |
| Brno | 4.00 | 48.0 | 5.21 | -5.9 | -0.2 |

### Prime Industrial Yields – September 2018

| LOGISTICS LOCATION (FIGURES ARE GROSS, %) | CURRENT Q | LAST Q | LAST Y | 10-YEAR HIGH | 10-YEAR LOW |
|---|---|---|---|---|---|
| Prague | 5.50 | 5.75 | 5.75 | 8.75 | 5.50 |
| Brno | 6.10 | 6.20 | 6.20 | 9.50 | 6.10 |

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 it is forecasted at 3.0% in 2018 due to lowered eurozone activity and global trade concerns. At the same time, labour scarcity is emerging as the main risk to further growth prospects. On the other hand, domestic demand remains strong underpinned by robust household consumption and supportive fiscal policies.

## Occupier focus

Demand for industrial space is dominated by manufacturing industry and third-party logistics, with automotive and e-commerce being the most active sectors. New occupations of logistics companies and expansions of existing leases accounted for majority of total demand.

Despite the strongest new supply in the CEE region, the vacancy rate remains relatively very low (4% in September 2018) in the Czech Republic, but the amount of vacant space is still high in absolute terms. The current share of speculative construction decreases due to ongoing high demand.

Entry of new developers in the South Moravia region compressed headline rents to lower levels in the last quarter, aligning with the rates in the Greater Prague region. On the other hand, we have recorded growing rates in some locations outside D1 motorway, especially in Prague East, Prague North and Pilsen region.

## Investment focus

After a period of low industrial investment volume due to a shortage of logistic properties for sale, this sector is undergoing a surge in activity with at least two investment opportunities of large-scale portfolios on the market. Positive impact on pricing is expected, and A-class properties in core locations with long leases will probably see yield compression. We expect yields to remain stable for other types of industrial products.

## Outlook

Scarce labour force pushes the Czech economy to its limits while industries operate at maximum capacity, encouraging innovation and automation of warehouse operations. At the same time, we expect both strong supply and demand in the medium term.



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