

CZECH REPUBLIC Industrial Market Snapshot

Fourth Quarter | 2017



MARKET INDICATORS

Market Outlook

Prime Rents:	Rents continue to increase in all prime locations and are expected to rise further.	▼
Prime Yields:	Yields are stable in prime locations and strengthen in secondary locations.	▶
Supply:	New supply grows with a record high construction.	▶
Demand:	Demand is strong and continues to rise supported by favourable economic conditions.	▼

Prime Industrial Rents – December 2017

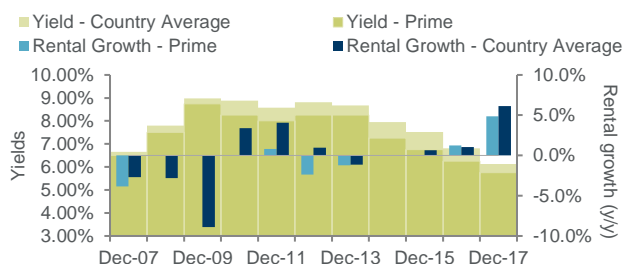
LOGISTICS LOCATION	€		US\$	GROWTH %	
	SQ.M MTH	SQ.M YR	SQ.FT YR	1YR	5YR CAGR
Prague	4.20	50.4	5.62	7.7	1.8
Brno	4.30	51.6	5.75	4.9	1.0

Prime Industrial Yields – December 2017

LOGISTICS LOCATION (FIGURES ARE GROSS, %)	CURRENT	LAST	LAST	10 YEAR	
	Q	Q	Y	HIGH	LOW
Prague	5.75	5.75	6.25	8.75	5.75
Brno	6.20	6.20	7.00	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

The Czech GDP growth of 4.5% in 2017 is one of the highest in the EU. Robust household consumption, supportive fiscal policies and recovery in investment create high demand in the real estate market. The developers of industrial premises react with a speculative construction, as demand still exceeds supply.

Occupier focus

Both production and third party logistics with distribution drive the current demand for industrial space. Automotive, engineering and manufacturing industries have been booming in the production sector.

New supply in 2017 exceeded the previous year's figure by almost 20%. Despite such intense development, especially the demand in prime locations and in the proximity of large cities (i.e. Prague, Brno) creates opportunities for further speculative construction.

Although the market is still very concentrated in Prague, the importance of regional locations grows with the help of improving infrastructure and lack of suitable building land near the capital. Apart from traditionally strong areas near Pilsen and Brno, relatively high construction activity is observed in the Ústí nad Labem and Karlovy Vary region.

Investment focus

The last quarter of 2017 saw several large transactions on the industrial market (Plzeň Park West, D5 Logistic Park or Logicor Prague Airport). The high interest of investors is related to the location and its accessibility. However, the market is very consolidated and investment opportunities remain limited.

Outlook

The industrial market is booming with both record high construction and a record low vacancy rate. The positive trend is expected to continue in 2018.