**Overview**

GDP growth is forecast at 2.5% in 2019. This is down from this point last year and continues the maturation trend in this economic cycle; however, lowered eurozone activity, global trade concerns and labour shortages pose risks to further growth – particularly in automotive sector. Industrial production saw only a small rise in February after two sharp declines in the prior months, indicating a sizeable negative contribution from the industrial sector to overall growth in Q1. This confirms that the Q4 woes in German industry have hit Czech activity with a lag, making for moderate growth in the first half of this year.

**Occupier focus**

New supply is slowing down with rising speculative construction in the eastern part of the country and newly developed industrial market in Usti Nad Labem region. While the vacancy rate slightly raised to 4.8%, stable demand will keep positive absorption.

The production sector takes over as the most dominate driver at the beginning of 2019 with more than doubled demand in comparison to the logistics sector, which remains strong.

The high demand of new occupations at existing and under construction buildings accounted for the highest value in the last 3 years. Rental growth recorded a raise in Prague region due to short-term undersupply of available industrial space in the area.

**Investment focus**

The Czech Industrial market remains incredibly attractive to investors. In a global study comparing the suitability of locations for global manufacturers to expand in or relocate their operations, the Czech Republic placed fifth overall and first in Europe.

**Outlook**

Even though there are some concerns in the industrial sector going forward, our prospectus remains strong. The threat of US tariffs coupled with downstream concerns in Germany, especially in the automotive sector, have pushed down growth prospects. However, despite slowed growth the industry remains strong and continues to change with the industry.