

CZECH INDUSTRIAL

QUARTERLY MARKET
UPDATE

MAY 2023



CZECH INDUSTRIAL MARKET UPDATE

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01

**MARKET OVERVIEW
SUMMARY**

ECONOMIC OVERVIEW

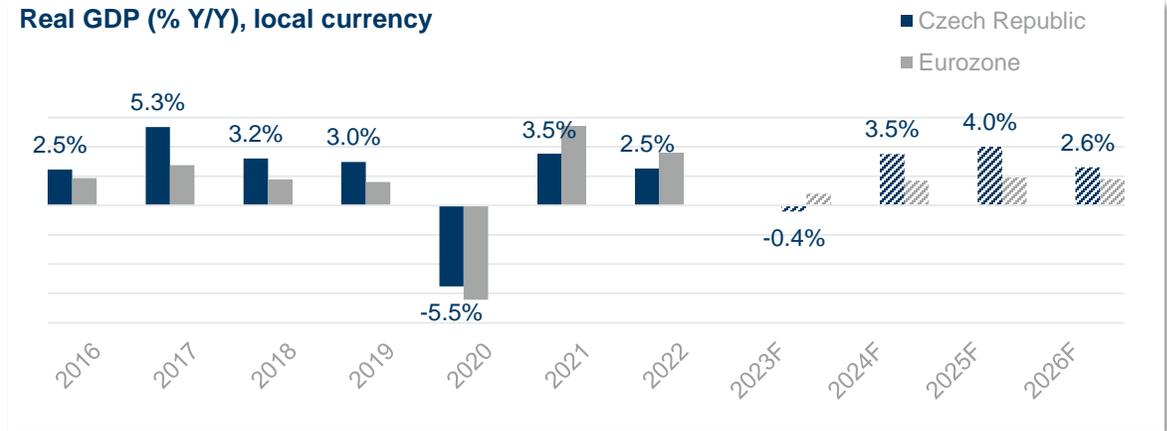
Industrial production growth picked up sharply in recent months, driven by the automotive sector.

In 2022, the Czech economy saw two consecutive quarters of mild contraction due to a decrease in private consumption, resulting from a collapse in real disposable income because of the surge in prices of goods and services.

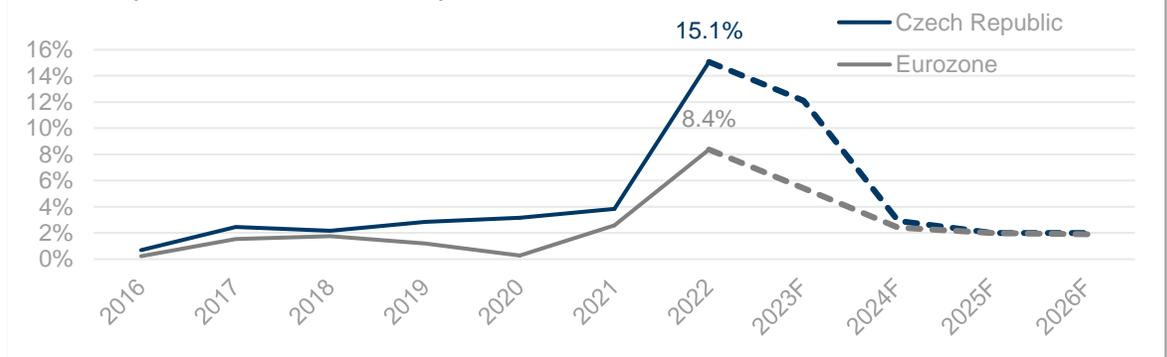
However, the decline in GDP was partly offset by higher government consumption and net exports. Despite the economic slowdown, the labour market in Czechia has remained relatively resilient, with one of the lowest unemployment rates in the EU. Additionally, the inflation rate has been decreasing.

In 2022, industrial production rebounded to match pre-COVID levels recorded in 2019. Moreover, industrial output in February 2023 indicated moderate growth following a slight dip in January, with production increases attributed mainly to the automotive sector. There are still some concerns that supply bottlenecks, such as shortages of semiconductors, may again hinder car production.

Real GDP (% Y/Y), local currency



Inflation (baseline scenario, HICP)

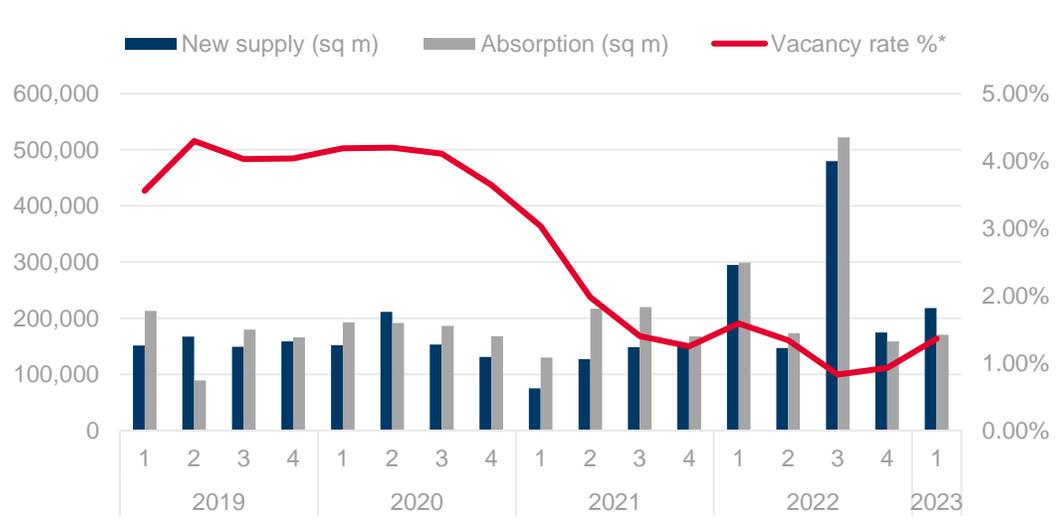


Source: Moody's Analytics

MARKET SUMMARY

In Q1 2023, prime rent once again slightly increased, mostly due to lack of available space.

Q1 2023:	10,999,700	1,234,800	1.4%	217,900	170,800	7.75 €	5.00%
	Total stock	Under construction	Vacancy rate	YTD New supply	YTD absorption	Prime rent	Prime yield
YoY change:	10%	5%	-0.2 pp	-26%	-43%	29%	125 bps



Top 5 completions in Q1 2023

Building	GLA (sq m)	Developer	Region
Panattoni Park Cheb South	47,900	Panattoni	Karlovy vary region
Panattoni Park Chomutov North	39,500	Panattoni	Usti nad Labem region
CTPark Ostrava Poruba	21,900	CTP Invest	Moravia-Silesia region
P3 Lovosice	21,500	P3	Usti nad Labem region
Panattoni Park Teplice South	16,800	Panattoni	Usti nad Labem region

* End of period value.

Source: Industrial Research Forum

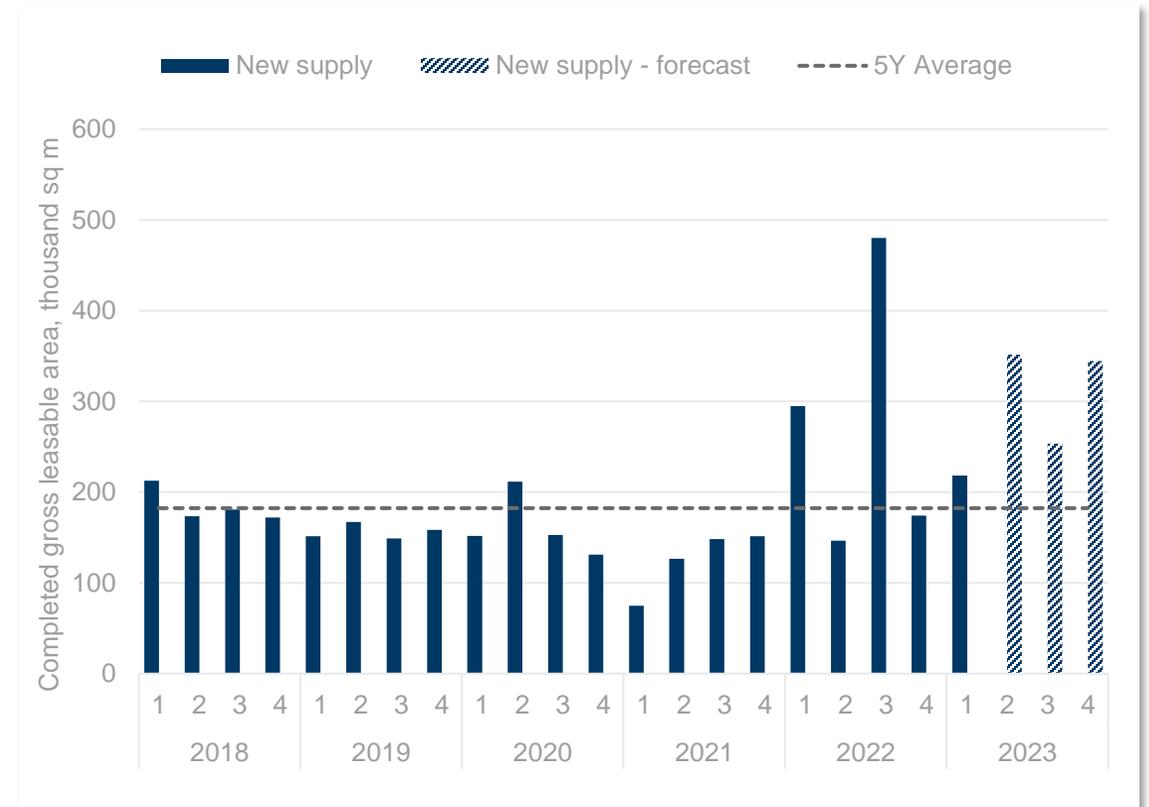
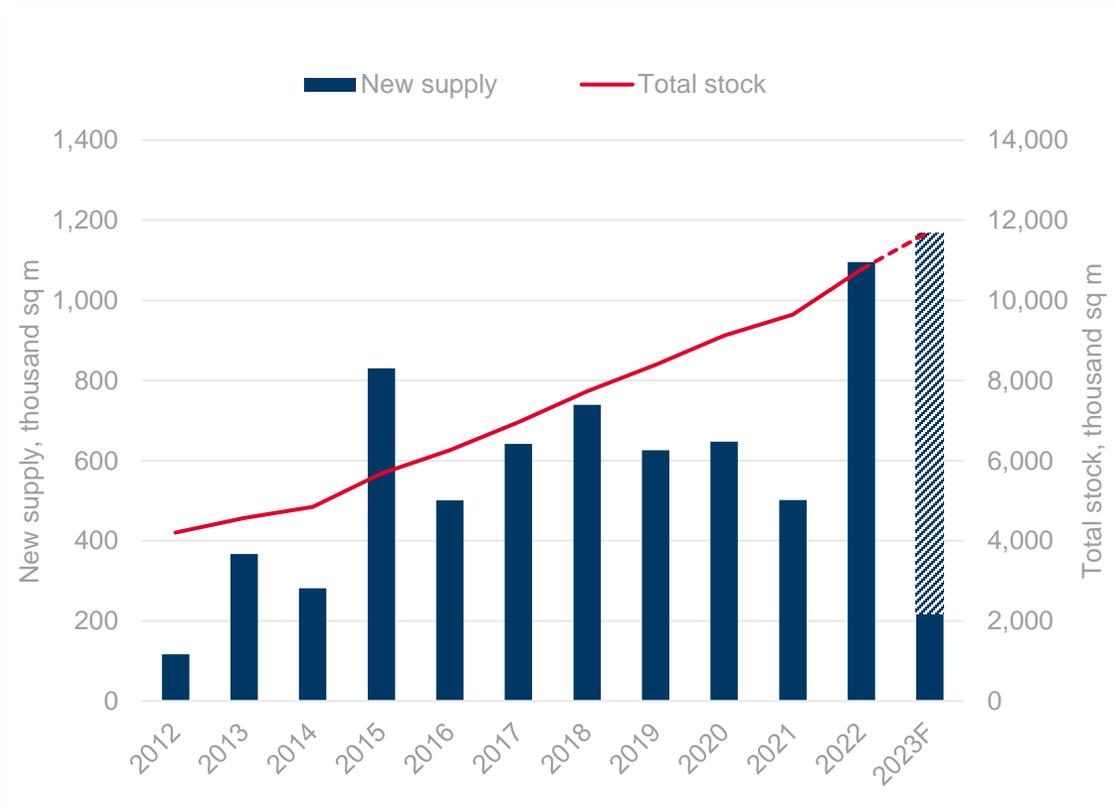


02

SUPPLY & DEMAND

NEW INDUSTRIAL SUPPLY

New supply reached 217,900 sq m in Q1 2023, keeping above the 5-year average. Another 900,000 sq m is expected to be delivered by the end of 2023.



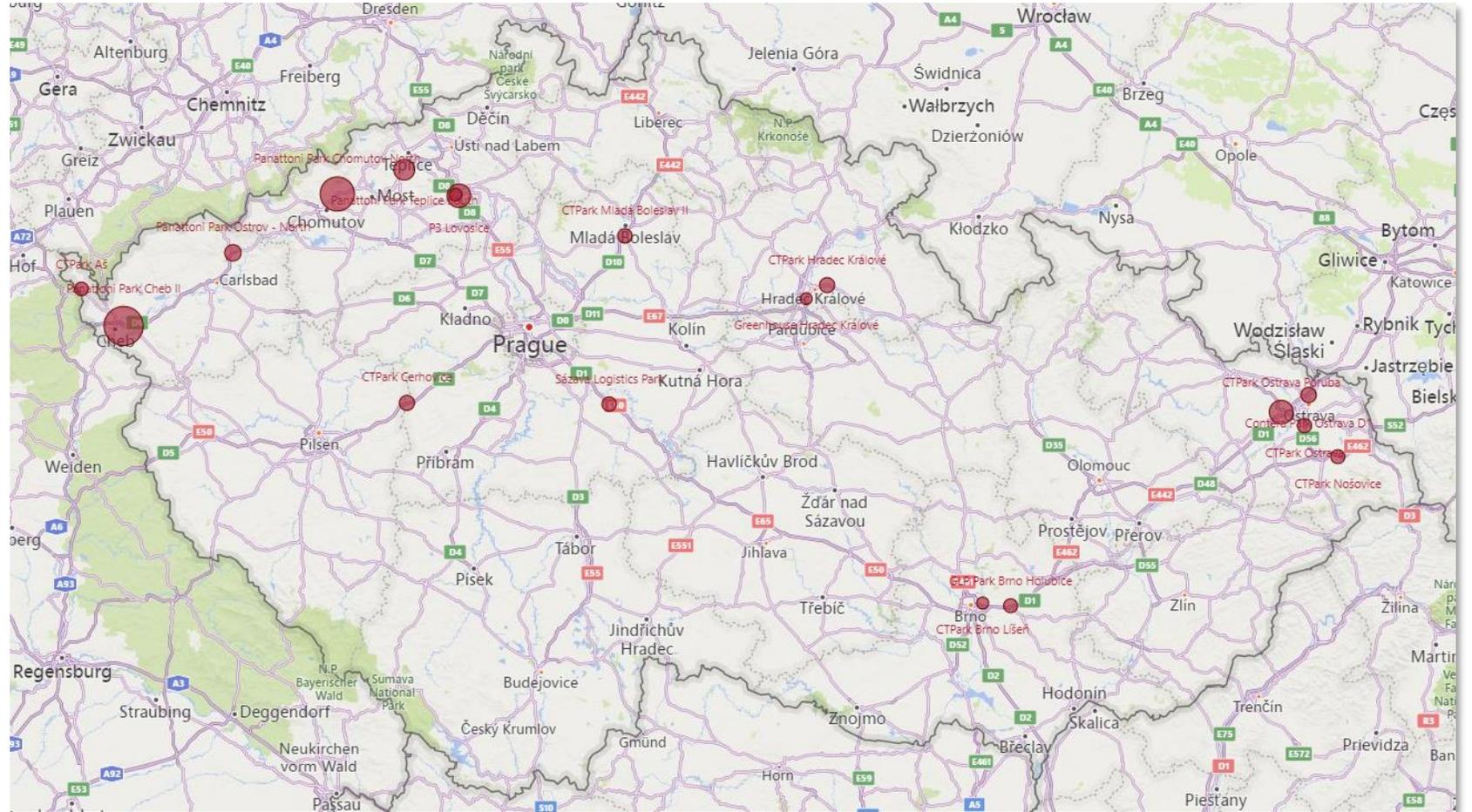
Source: Industrial Research Forum

PROJECTS COMPLETED IN Q1 2023

In Q1 2023, 217,900 sq m were delivered to the market within 18 industrial parks across the Czech Republic.

Top 10 largest projects completed in Q1 2023

Project name	GLA (sq m)
Panattoni Park Cheb South	47,900
Panattoni Park Chomutov North	39,500
CTPark Ostrava Poruba	21,900
P3 Lovosice	21,500
Panattoni Park Teplice South	16,800
Panattoni Park Ostrov - North	9,500
Contera Park Ostrava D1	7,600
CTPark Hradec Králové	7,200
CTPark Cerhovice	7,100
CTPark Mladá Boleslav II	6,100

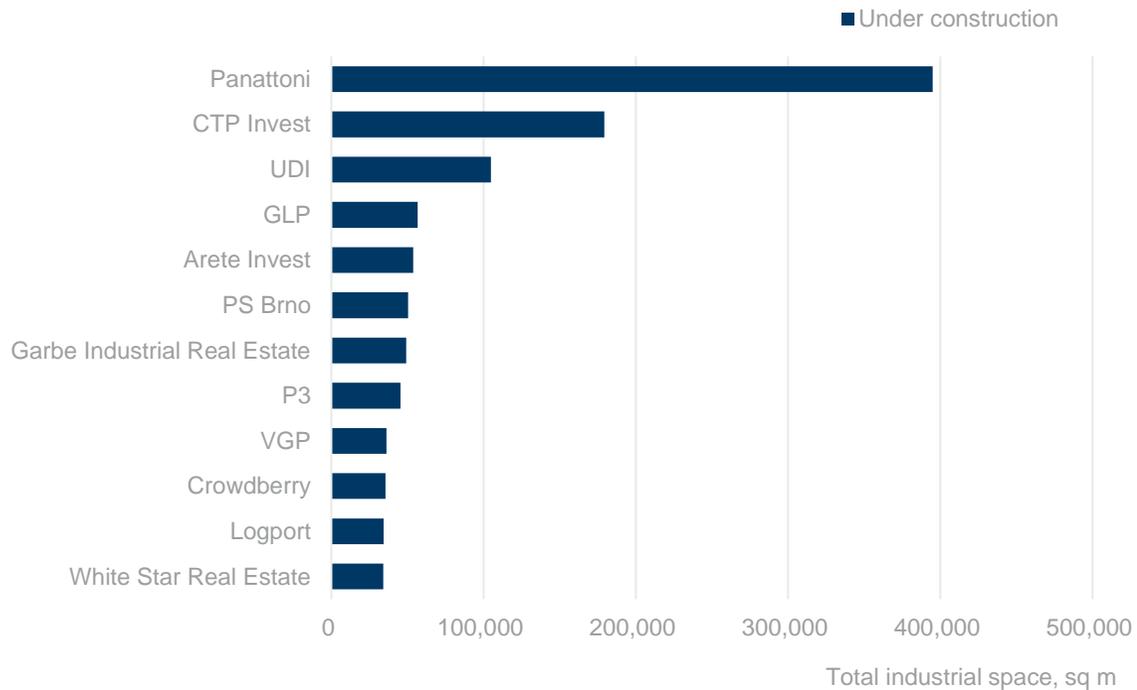


Source: Industrial Research Forum

INDUSTRIAL PIPELINE

The construction of around 171,500 sq m commenced in Q1 2023, representing a decrease of 43% compared to the same period last year. In total, 1,234,800 sq m were under construction at the end of March 2023, with only 34% available. Next quarter, 351,300 sq m within 23 industrial parks should be completed.

Top developers by size of space currently under construction



Top projects to be completed in Q2 2023

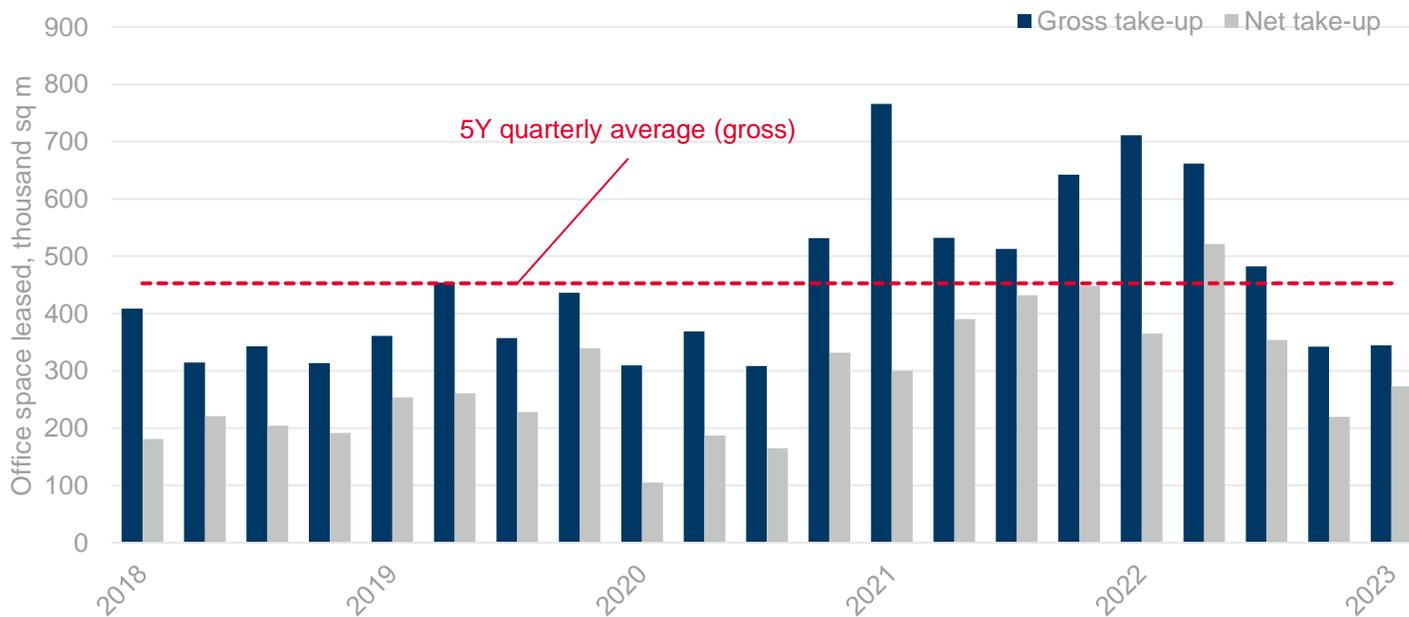
Project name	Developer	Region	GLA (sq m)
Panattoni Park Pilsen West II	Panattoni	Pilsen region	36,400
Prologis Park D1 Ostredok	Prologis	Central Bohemia region	33,800
Garbe Park Chomutov	Garbe Industrial Real Estate	Usti nad Labem region	29,100
CTPark Brno Líšeň	CTP Invest	South Moravia region	26,900
Industrial Park Pardubice - Rosice	PS Brno	Pardubice region	24,800
Uno Park Mladá Boleslav (Industry Park Bezděčín)	UNO	Central Bohemia region	20,100
Sázava Logistics Park	UDI	Central Bohemia region	19,200
CBPI Business Park	Crowdberry	Liberec region	17,500
P3 Plzeň Myslinka	P3	Pilsen region	16,600
PRARENA I	PRAKAB	Greater Prague	16,400

Source: Industrial Research Forum

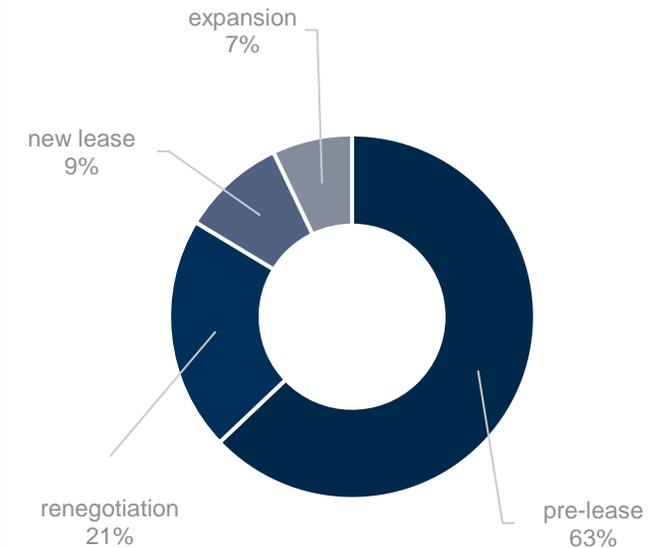
INDUSTRIAL TAKE-UP

In Q1 2023, gross take-up reached 344,500 sq m, making it the second consecutive quarter below the five year quarterly average.

Gross take-up amounted to 344,400 sq m in Q1 2023, representing an increase of 1% compared to the previous quarter and a decrease of 52% compared to the same period last year.



Take-up structure in Q1 2023

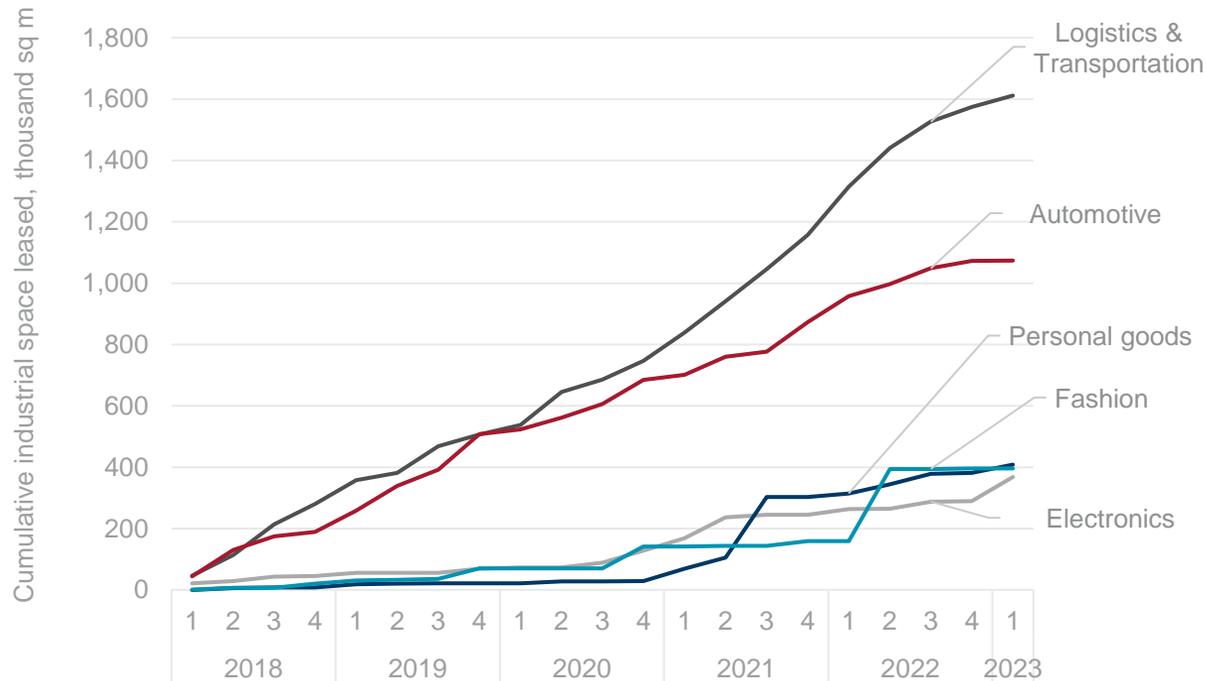


Source: Industrial Research Forum

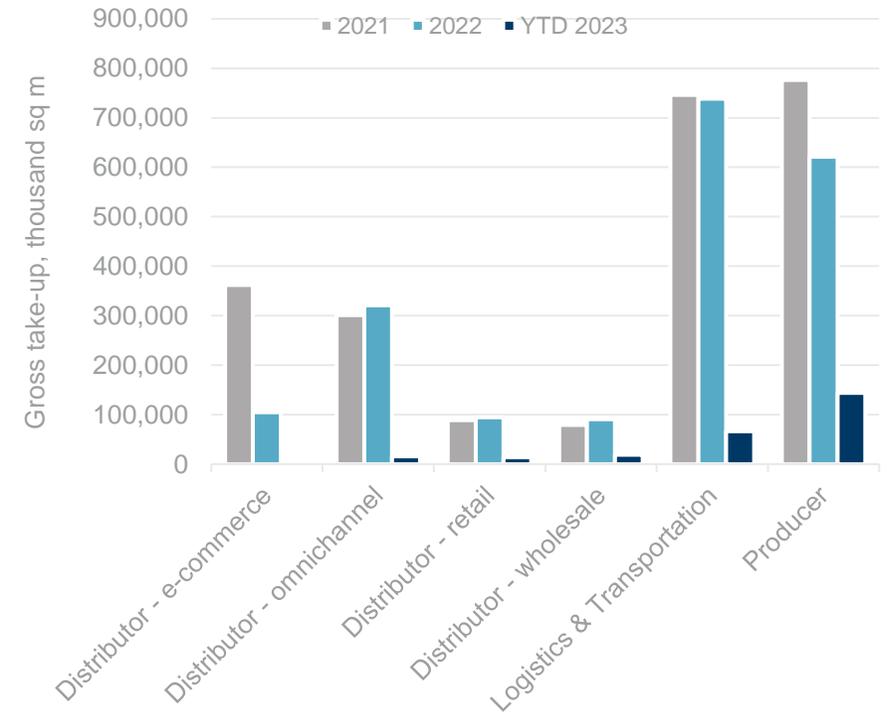
OCCUPIER'S FOCUS

Demand was driven by production companies in Q1 2023.

In terms of industry of the companies, electronics companies leased the most space in Q1 2023.



Production companies accounted for 68% of net take-up in Q1 2023.



Source: Industrial Research Forum

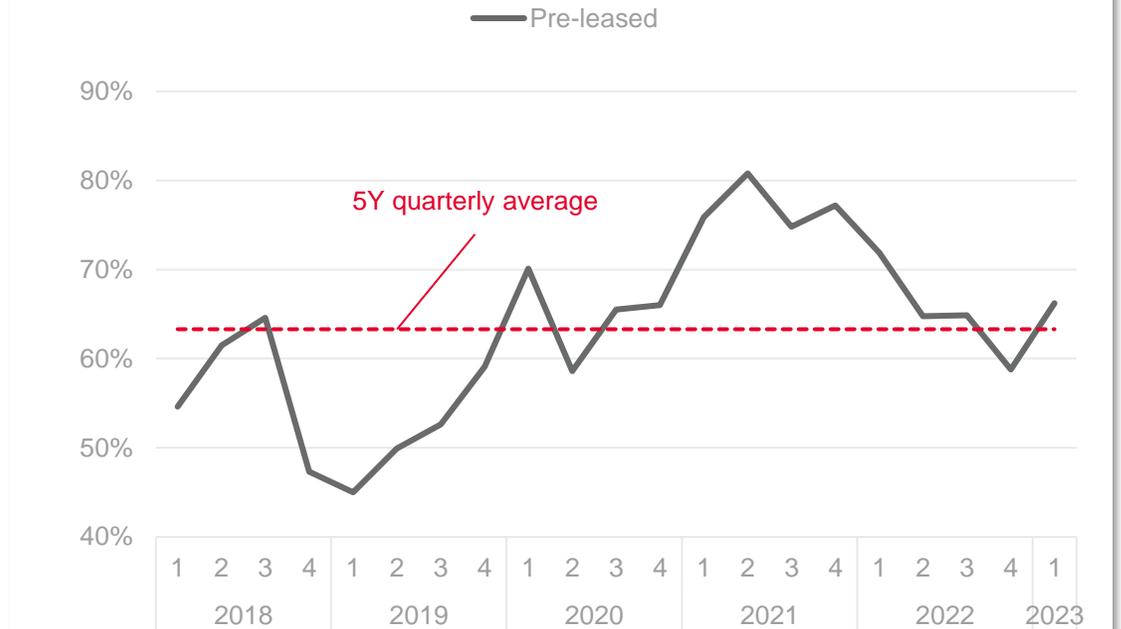
VACANCY RATE

The vacancy rate slightly increased in Q1 2023 in some regions, mostly due to the delivery of new supply.

At the end of Q1 2023, 150,000 sq m of the industrial area remained vacant, representing a 50% increase compared to the previous quarter and a 5% decrease compared to the same period last year.



Around 66% of space under construction was pre-leased in Q1 2023, keeping above the 5-year quarterly average.



Source: Industrial Research Forum



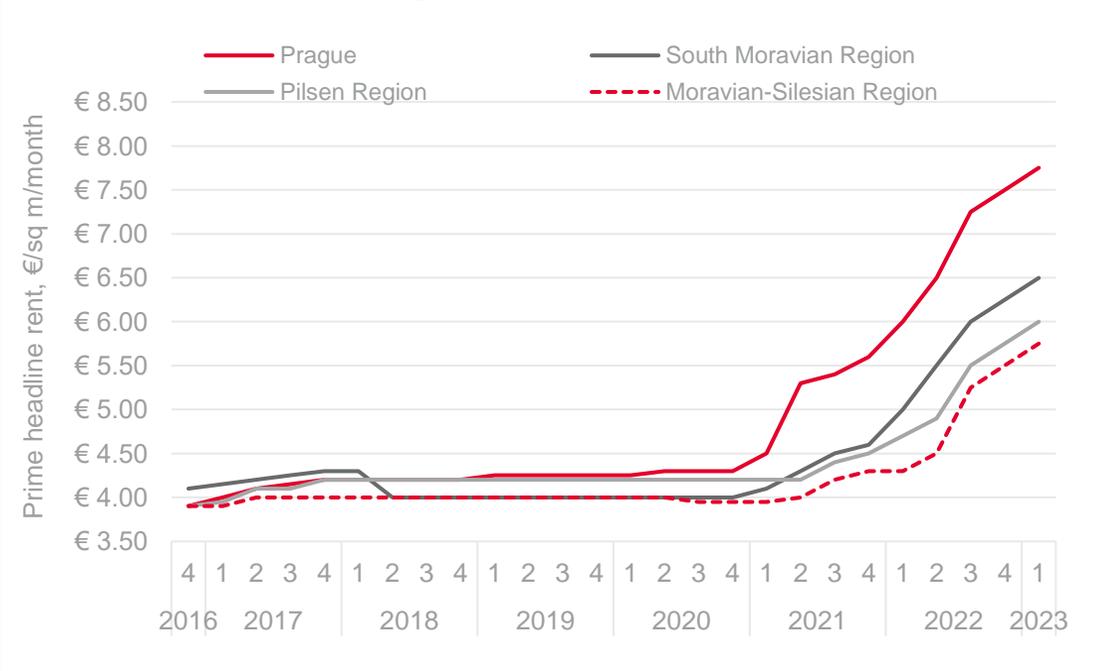
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MARKET TERMS

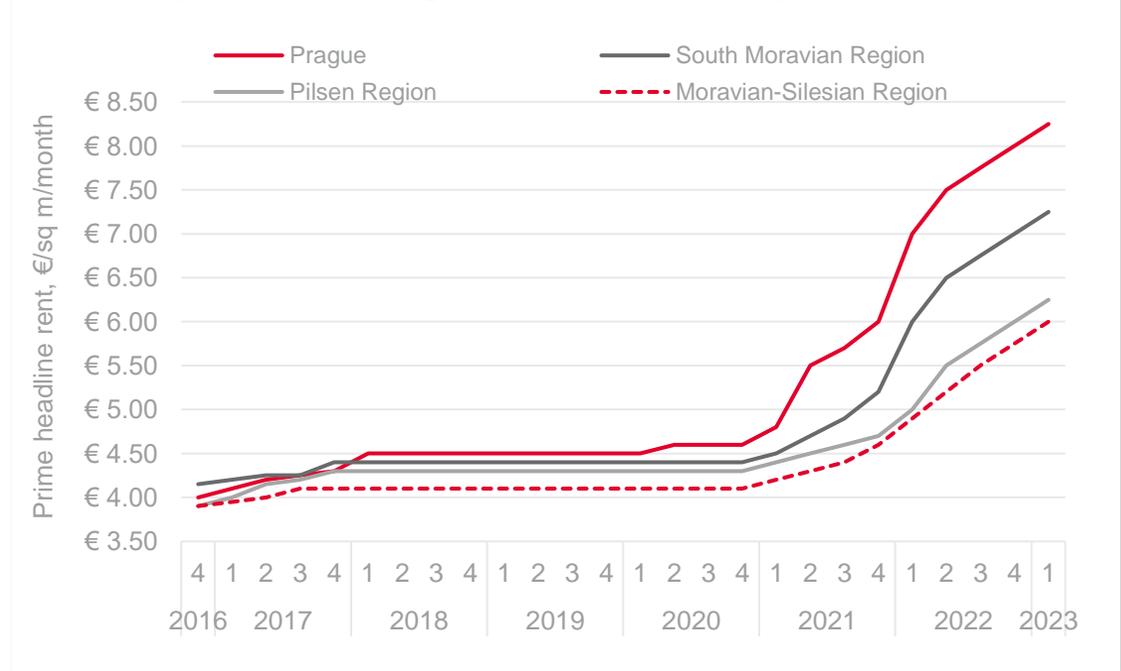
OCCUPATIONAL COSTS

All major industrial regions have experienced unprecedented rental growth since the end of 2020. In Q1 2023, prime headline rent increased by 30% compared to the beginning of 2022, reaching up to €7.75/sq m in Prague. Nonetheless, the growth is expected to slow down throughout 2023.

Industrial prime rents in logistics (10,000 sq m)



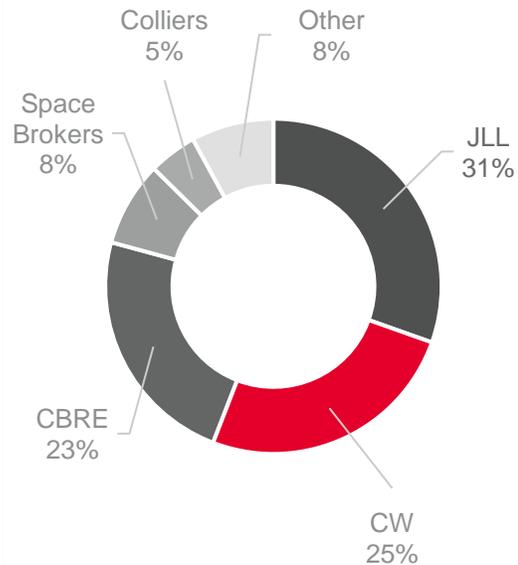
Industrial prime rents in logistics (1,000 – 2,000 sq m)



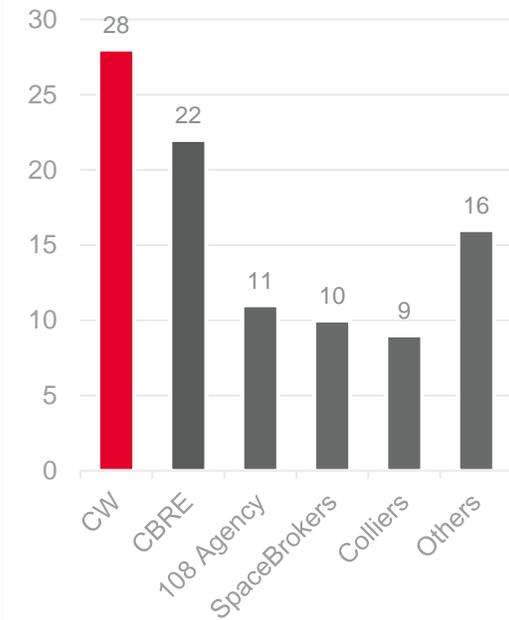
C&W INDUSTRIAL AGENCY

Cushman & Wakefield remains among top agencies representing landlords and tenants.

Market share in Q1 2023



Total number of closed deals in 2022



Source: Industrial Research Forum





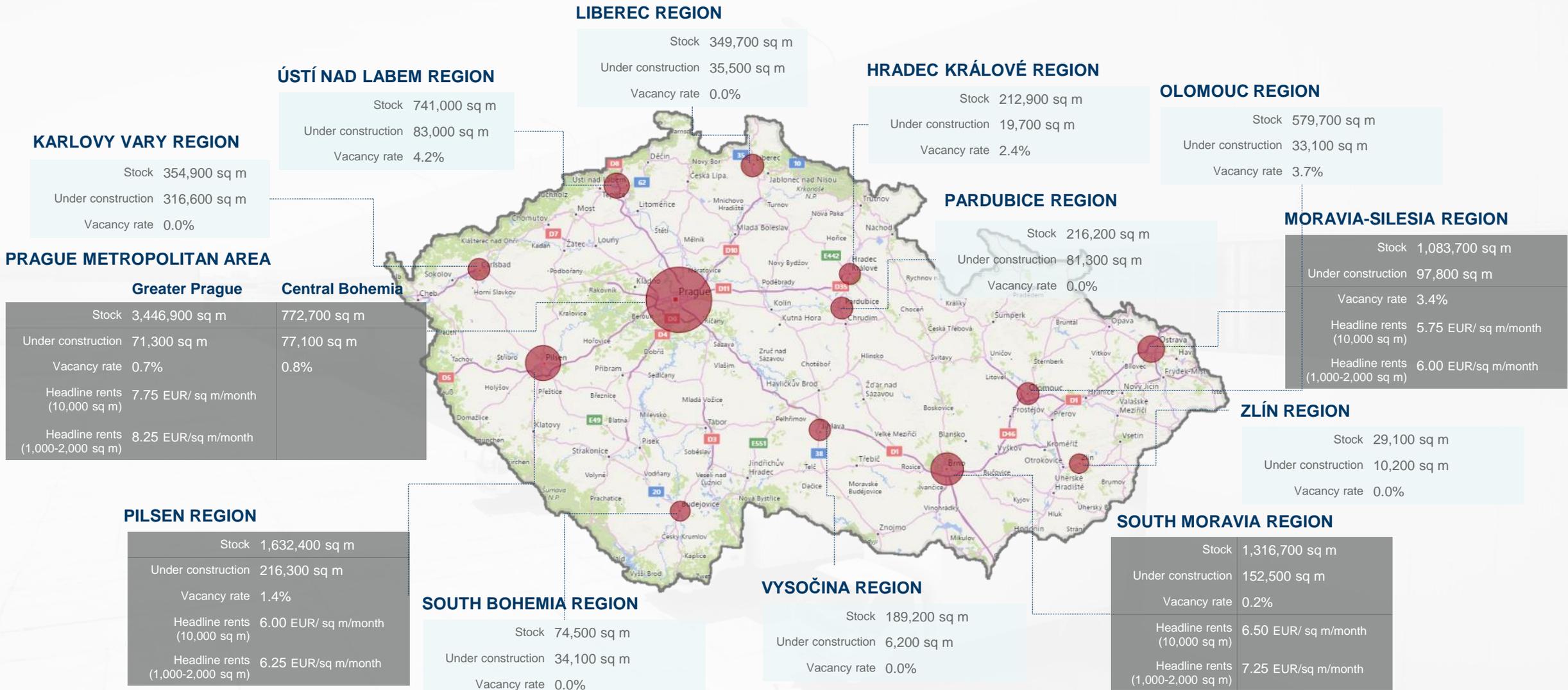
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**SUBMARKETS
OVERVIEW**

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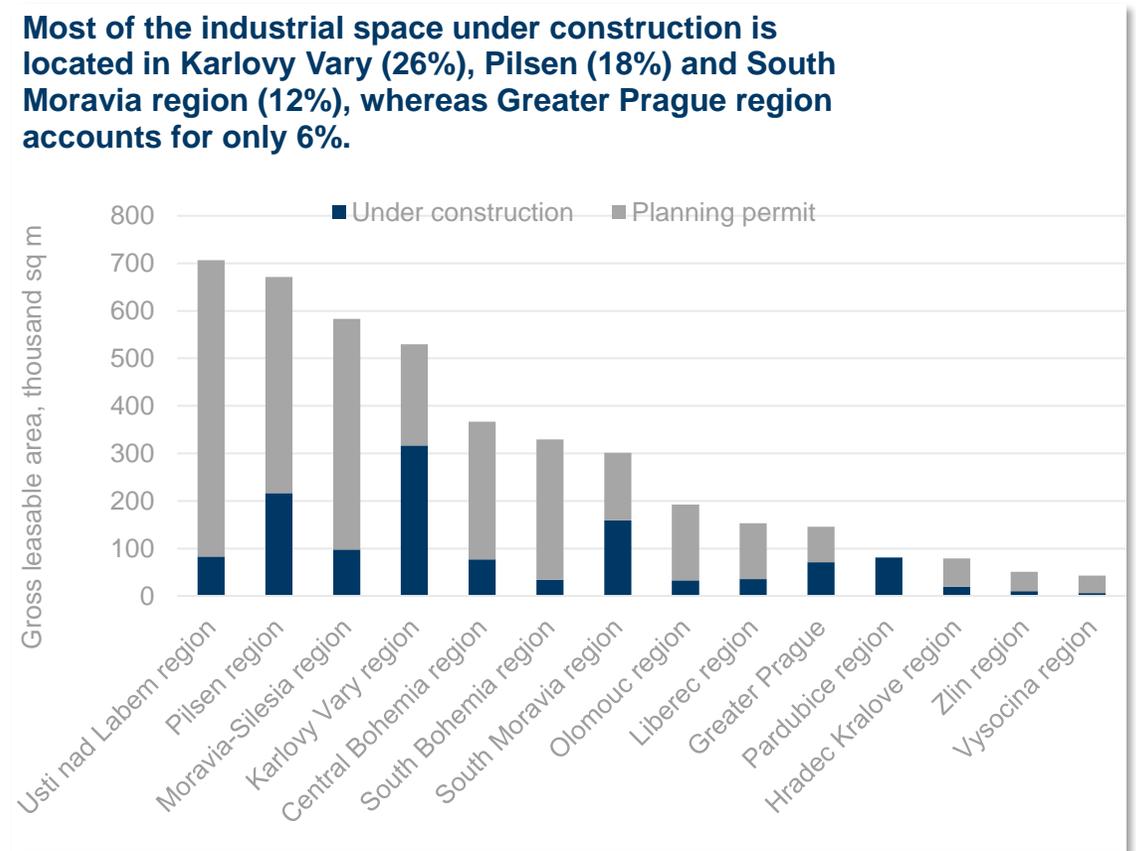
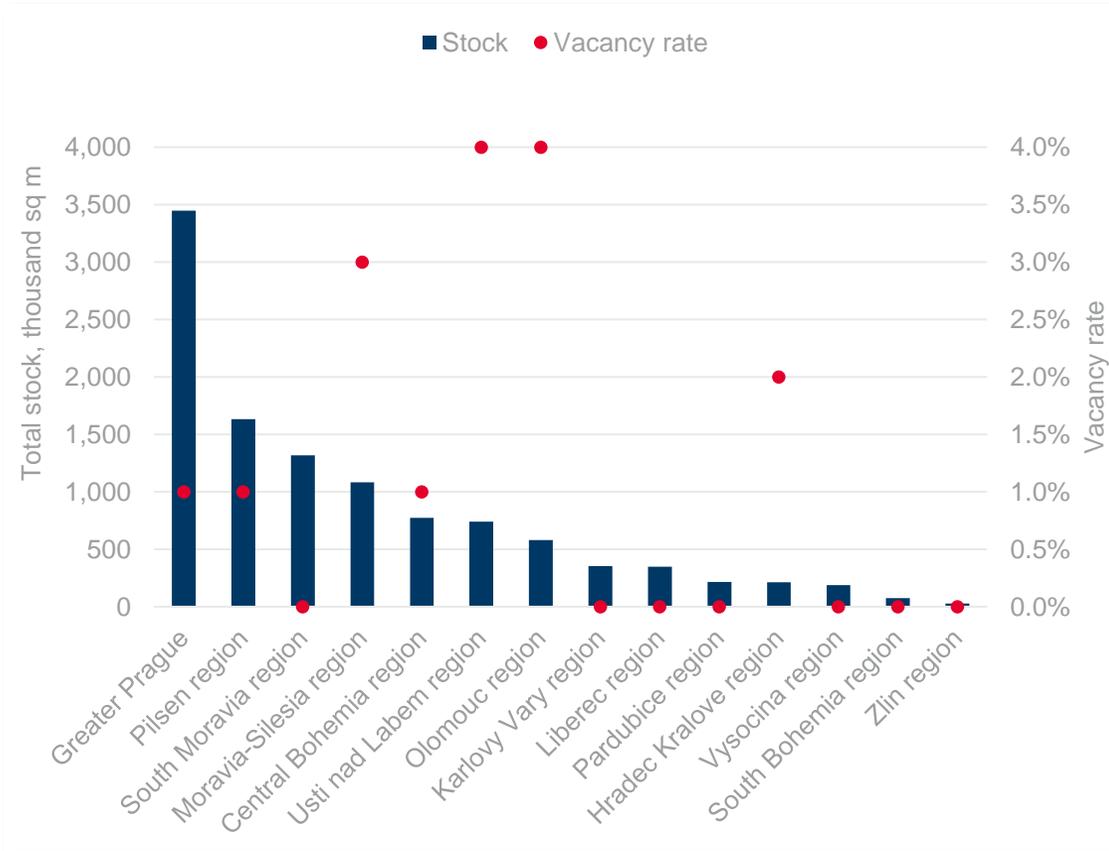
REGIONAL OVERVIEW



Source: Industrial Research Forum

INDUSTRIAL SUPPLY

Prague's industrial stock dominance slowly diminishes with hundreds of thousands of sq m planned in other regions.

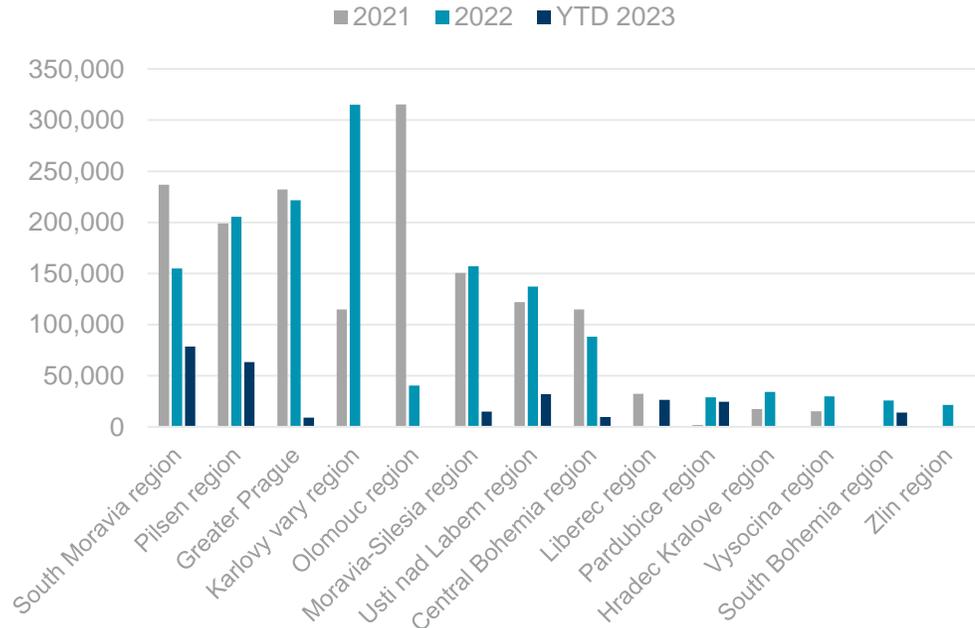


Source: Industrial Research Forum

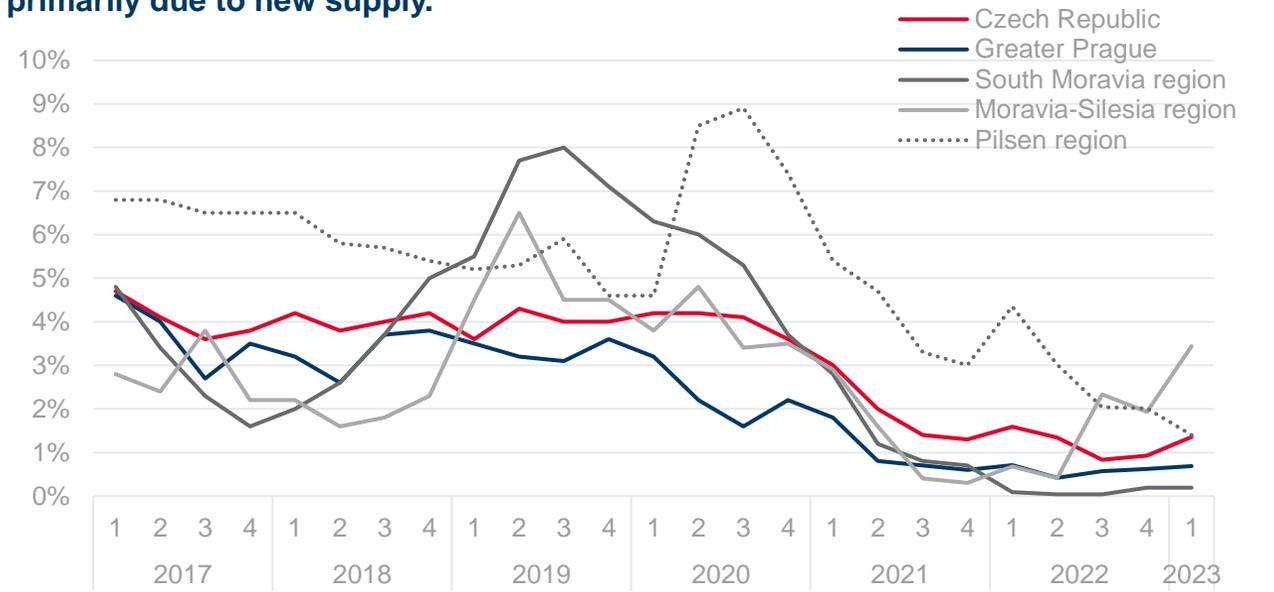
INDUSTRIAL DEMAND & VACANCY

Regions with the highest volume of leased space in Q1 2023 were South Moravia, Pilsen and Greater Prague, accounting for about 57% of the total demand.

Net take-up development by regions (sq m)



At the beginning of 2023, most regions either experienced a decrease of vacant space or stayed at the same value as the previous quarter. Some regions saw an increase in vacant space, primarily due to new supply.



Source: Industrial Research Forum

DEFINITIONS

LIST OF TERMS USED IN THE DOCUMENTS

Absorption	Change in the occupied stock area, implicitly including tenant's shrinking their sizes or leaving warehouses altogether (activity typically not recorded explicitly).
Gross take-up	A gross figure representing the total floor space known to have been let or pre-let, sold or pre-sold to tenants or owner-occupiers over a specified period of time. It does not include space that is under offer. A property is taken up when the contract is signed. Total take-up includes renegotiations, lease extension and subleases; net take-up excludes these.
Net take-up	Leasing activity recorded by Industrial Research Forum in industrial stock where the stock is newly occupied.
Industrial Research Forum	The members – CBRE, Colliers International, Cushman & Wakefield, JLL – share non-sensitive information intending to provide clients with consistent, accurate and transparent data about the Czech industrial market.
Prime rent	Represents the top open-market rent that could be expected for a notional distribution warehousing unit of the highest quality and specification in the prime location within a market, as at the survey date (generally at the end of each quarterly period). The rent quoted is based on a prime unit of 5,000 sq m gross internal leased for five years, with ceiling heights of over 8 m, used primarily for distribution/warehousing uses.
Q/Q	Quarter-on-quarter denotes a change in value between quarters
Stock and new supply	Modern developer-led warehouse and industrial production space of A class quality, owned by a developer or investor for lease to third parties. It does not include owner-occupied stock. New supply includes the above mentioned space completed during the given period, including office areas.
Vacancy Rate	Ratio of physically vacant space (i.e. without long-term leases) in completed buildings on the total stock of warehouse and industrial space with office areas.
YY	Year-on-year, denotes change in value between years



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