



CZECH INDUSTRIAL MARKET UPDATE

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ECONOMIC OVERVIEW

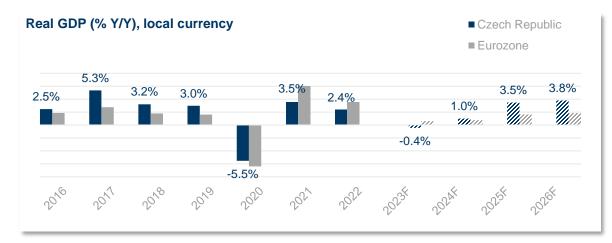
The Czech economy is predicted to grow in 2024

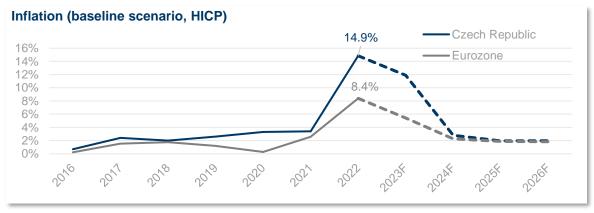
In 2023, the Czech economy contracted unexpectedly due to weak household consumption and declining exports. Government consumption mitigated a steeper decline, but the overall economy hovers on the brink of recession. Czechia is the sole EU country yet to recover pre-pandemic GDP levels. Moody's Analytics anticipates a further decrease in household expenditures in Q4 2023, but a robust rebound is expected in 2024, driven by improved credit conditions and increased real disposable income.

Czech industry faces ongoing weakness, except for the automotive sector. Germany, Czechia's main trading partner, signals a continued industrial contraction in early 2024. Amidst declining orders and manufacturing sentiment, Czech industry may struggle in H1 2024. However, a rebound is anticipated in H2 2024 as the broader economy improves.

The tight and resilient labor market withstands economic slowdown. Despite weak growth and an influx of refugees from Ukraine, the unemployment rate has only slightly increased. Firms, after a prolonged period of labor shortages, still refrain from layoffs, and the unemployment rate is projected to remain historically low in 2024.

Inflation, which hit multi-decade highs last year, is now decreasing. The moderation is attributed to lower input prices being passed on to both consumers and producers.



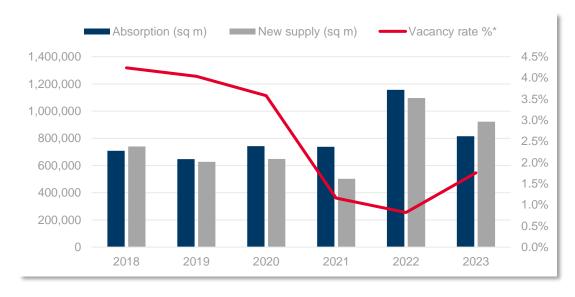


Source: Moody's Analytics

MARKET SUMMARY

Modern industrial stock reached 11.7 million sq m by the end of 2023, and the Y/Y stock growth accelerated to 9%, even though some completions were postponed or set to "Shell & Core" status.

Q4 2023:	11,707,500	981,200	1.8%	921,300	814,500	7.75€	5.25%
	Total stock	Under construction	Vacancy rate	YTD New supply	YTD absorption	Prime rent	Prime yield
YoY change:	9%	-20%	0.9 pp	-16%	-30%	3%	75 bps



Top 5 completions in Q4 2023

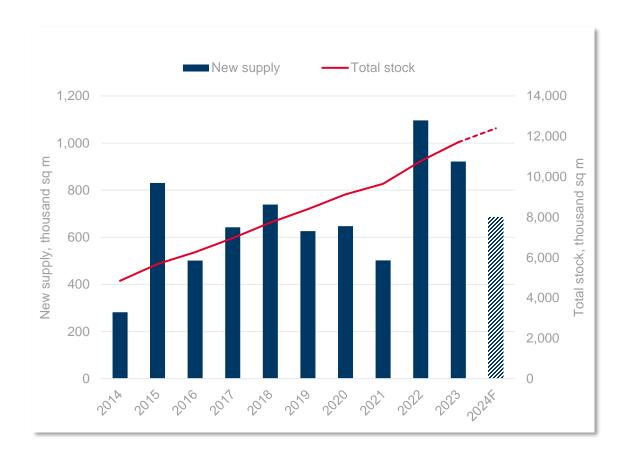
Building	GLA (sq m)	Developer	Region
CTPark Brno	30,500	CTP Invest	South Moravia region
Arete Park Rokycany II.	29,500	Arete Invest	Pilsen region
Garbe Park Chomutov	29,100	Garbe Industrial Real Estate	Usti nad Labem region
MD Logistika Dašice	21,500	MD Logistika	Pardubice region
Garbe Park České Budějovice	20,000	Garbe Industrial Real Estate	South Bohemia region

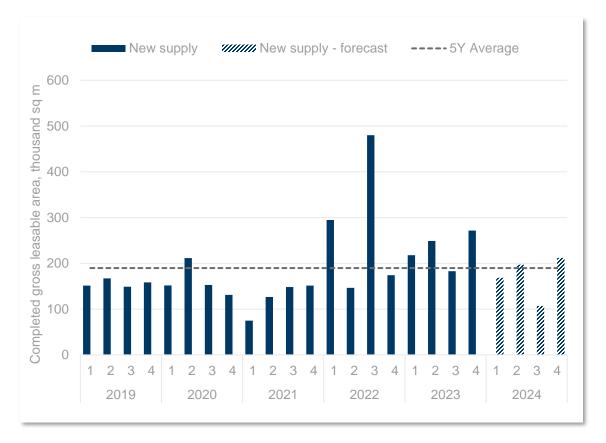
^{*} End of period value.

SUPPLY & DEMAND

NEW INDUSTRIAL SUPPLY

In 2023, the annual supply reached 921,300 sq m, representing a decease of 16% compared to 2022. Nearly 700,000 sq m of modern industrial space is expected to be delivered to the market in 2024.



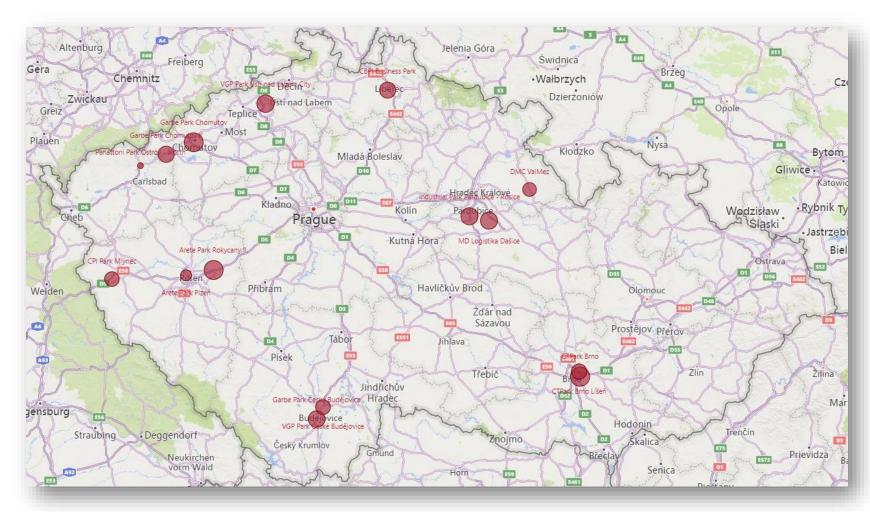


PROJECTS COMPLETED IN Q4 2023

In Q4 2023, 271,600 sq m were delivered to the market within 15 industrial parks across the Czech Republic.

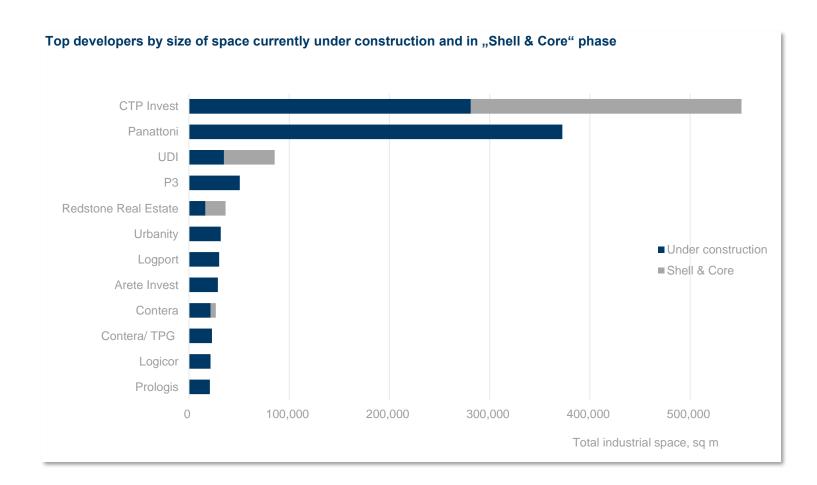
Top 10 largest projects completed in Q4 2023

Project name	GLA (sq m)
CTPark Brno	30,500
Arete Park Rokycany II.	29,500
Garbe Park Chomutov	29,100
VGP Park Ústí nad Labem City	22,800
Industrial Park Pardubice – Rosice	21,800
MD Logistika Dašice	21,500
Garbe Park České Budějovice	20,000
Garbe Park Chomutov II	18,500
CBPI Business Park	18,000
CTPark Brno Líšeň	15,800



INDUSTRIAL PIPELINE

Overall, over 951,700 sq m of construction of modern industrial space commenced in 2023.



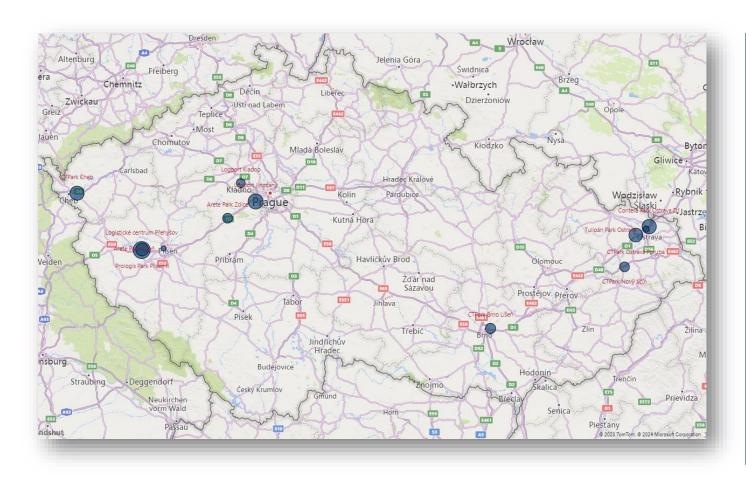
At the end of December, more than 981,200 sq m of modern industrial space was under active construction. Most of the projects under construction are situated in the Karlovy Vary region (38%), the Pilsen region (15%), and the Moravian-Silesian region (12%).

Panattoni is one of the most active developers in the market, overseeing the construction of over 370,000 sq m of industrial space. However, when considering projects in the shell and core phase, CTP Invest would also rank among the most active developers, boasting a total industrial area exceeding 572,000 sq m.

A "shell and core" project involves constructing the basic exterior structure of the building along with the essential internal systems, but it does not include the interior finishes or specific customization for tenants. Once the shell and core are completed, individual tenants or buyers can then proceed with their interior fit-out based on their specific needs and requirements.

INDUSTRIAL PIPELINE

In Q1 2024, 168,700 sq m within 12 industrial parks should be completed.

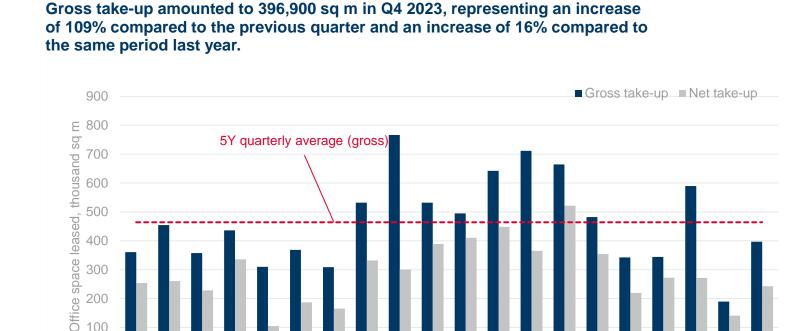


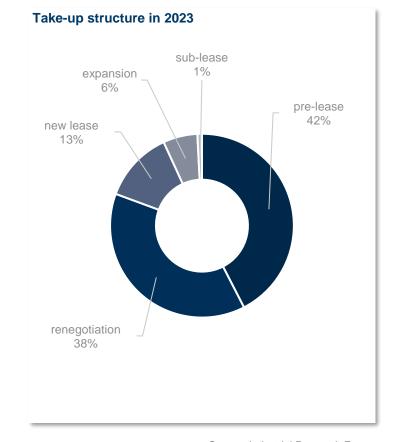
Top projects to be completed in Q1 2024

Project name	Developer	Region	GLA (sq m)
Logistické centrum Přehýšov	UDI	Pilsen region	35,000
Logport Jinočany	Logport	Greater Prague	24,900
Contera Park Ostrava D1	Contera	Moravia-Silesia region	21,600
CTPark Cheb	CTP Invest	Karlovy Vary region	20,900
CTPark Ostrava Poruba	CTP Invest	Moravia-Silesia region	19,200
Prologis Park Pilsen II	Prologis	Pilsen region	15,500
CTPark Brno Líšeň	CTP Invest	South Moravia region	8,100
Arete Park Zdice	Arete Invest	Central Bohemia region	7,100
CTPark Nový Jičín	CTP Invest	Moravia-Silesia region	7,100
Logport Kladno	Logport	Central Bohemia region	5,300

INDUSTRIAL TAKE-UP

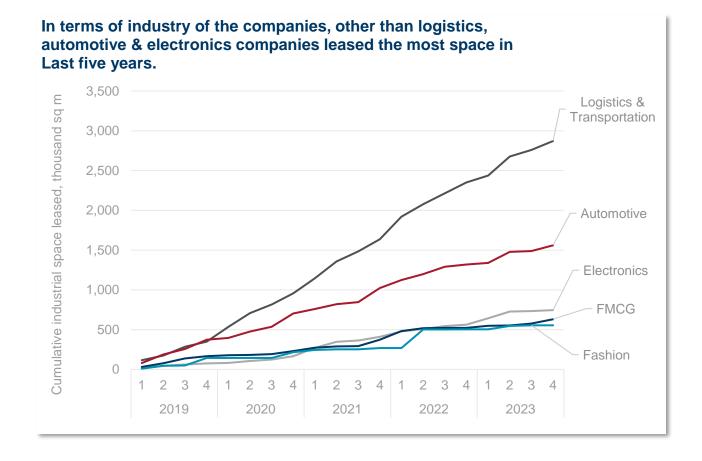
Gross take-up totaled 1,520,600 sq m in 2023, a decrease of 31% compared to 2022, returning to the prepandemic trend. Pre-leases amounted for the largest number of deals both in Q4 2023 (47%) and in total in 2023 (42%).

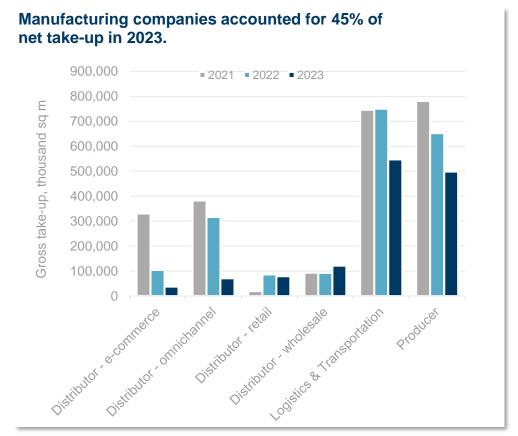




OCCUPIER'S FOCUS

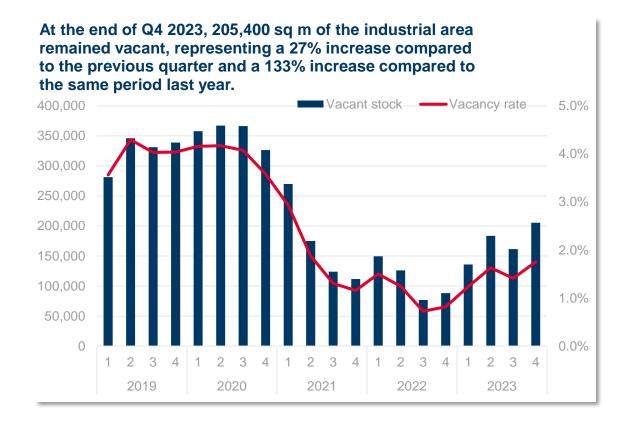
Total demand was driven by logistics (36% of total) & manufacturing (33% of total) companies in 2023.

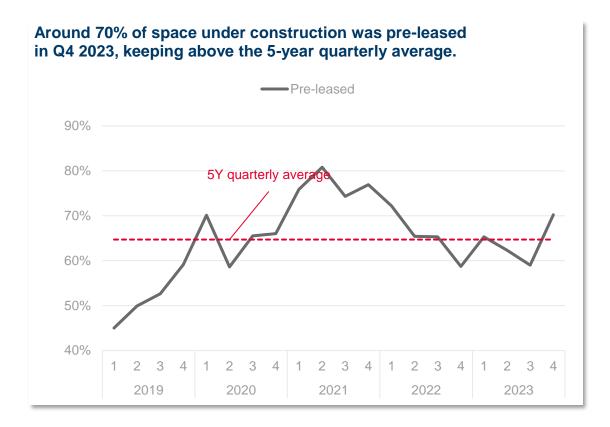




VACANCY RATE

The vacancy rate slightly increased in Q4 2023 but remains low at 1.8%. If projects in "Shell & Core" were included in the total vacancy rate, the vacancy rate would rise to 4%.

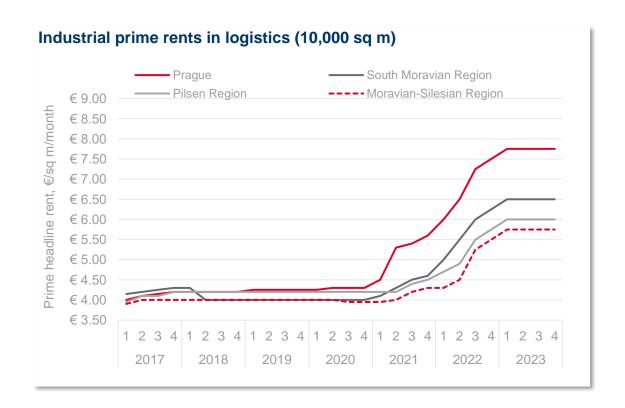


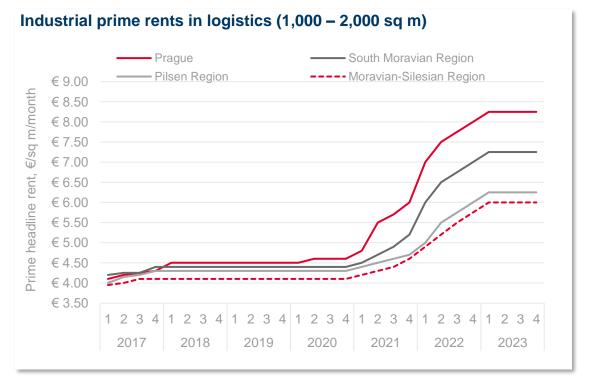


MARKET TERMS

OCCUPATIONAL COSTS

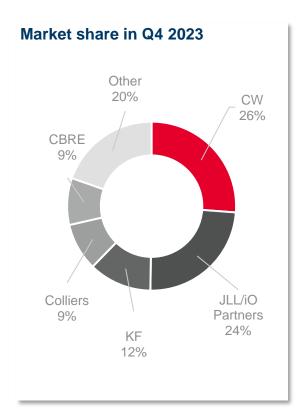
All major industrial regions have experienced unprecedented rental growth since the end of 2020. In Q4 2023, prime headline rent increased by 3% compared to the same period of 2022, reaching up to €7.75/sq m in Prague. Nonetheless, no significant growth is expected throughout 2024.

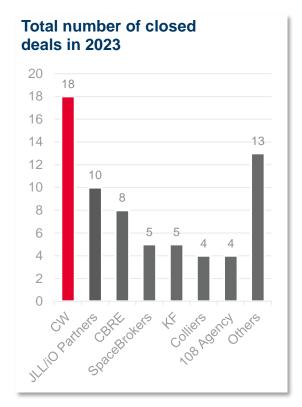


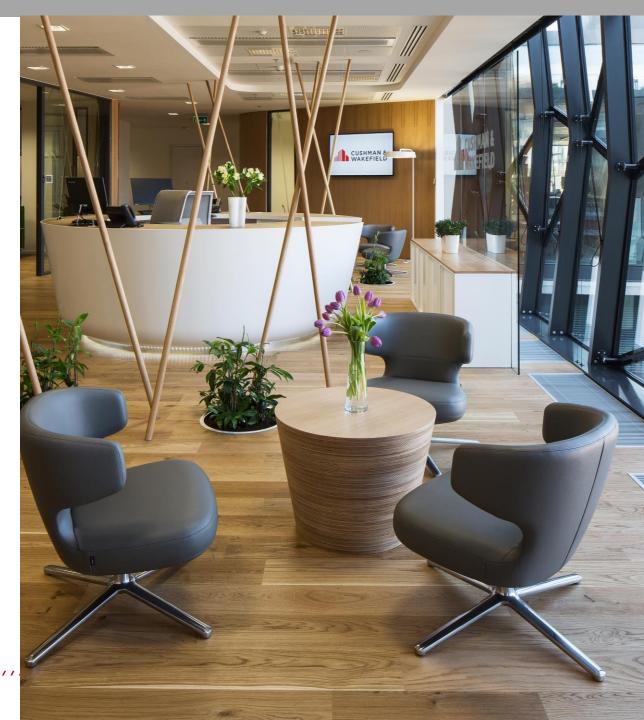


C&W INDUSTRIAL AGENCY

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





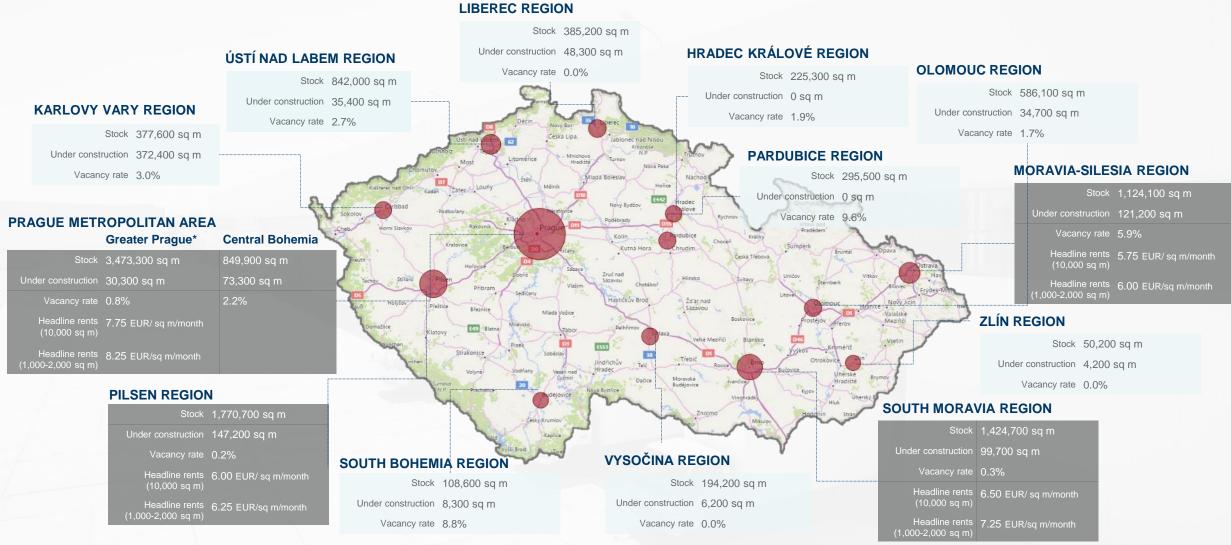


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SUBMARKETS OVERVIEW

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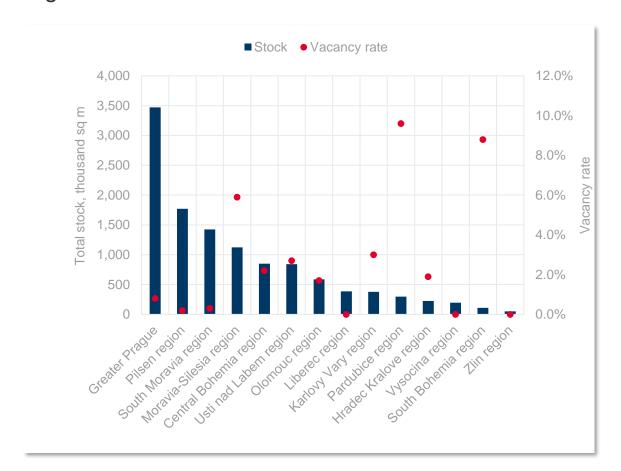
REGIONAL OVERVIEW

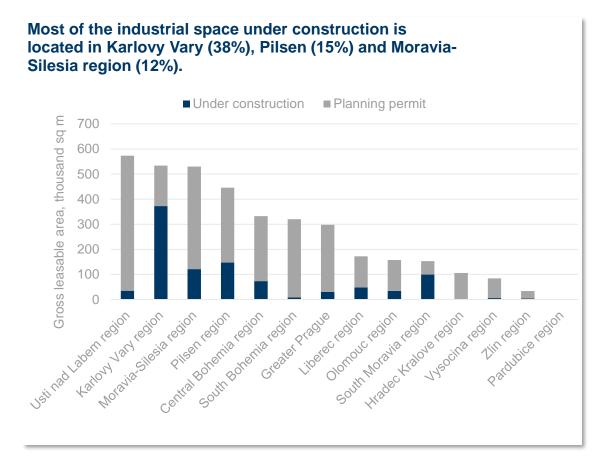


^{*} Includes the cadastral territory of the capital city of Prague and projects in the Central Bohemian Region, which are located within a radius of 10-15 km from the borders of Prague.

INDUSTRIAL SUPPLY

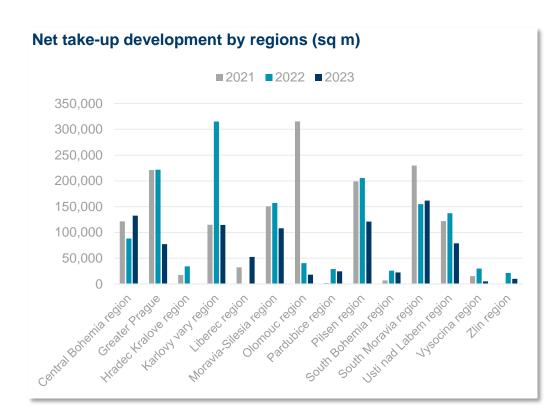
Prague's industrial stock dominance slowly diminishes with hundreds of thousands of sq m planned in other regions.

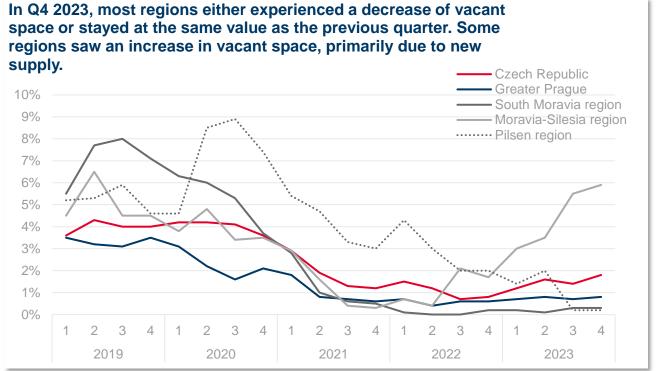




INDUSTRIAL DEMAND & VACANCY

Regions with the highest volume of leased space in 2023 were Greater Prague, South Moravian, and Central Bohemian regions, accounting for about 60% of the total demand.





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, Cushman & Wakefield, iO Partners – 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.
Y/Y	Year-on-year, denotes change in value between years

DEFINITIONS

GREATER PRAGUE

Greater Prague area includes the cadastral territory of the capital city of Prague and projects in the Central Bohemian Region, which are located within a radius of 10-15 km from the borders of Prague.

