

# M<sup>2</sup> - Big Box CR

## Q1 2008 – INDUSTRIAL MARKET REPORT

“...take-up during Q1 2008 remained with 220,000 sq m very strong ... “

“The vacancy rate in the Czech Republic has been stable during the last three quarters hovering around 9.5%.”

### Q1 2008 AT A GLANCE

	Greater Prague	Pan Czech Republic
STOCK	↑	↑
TAKE-UP	↓	→
VACANCY	↑	↓
RENT	→	→

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### DEVELOPER LED WAREHOUSING AND LOGISTICS MARKET IN THE CZECH REPUBLIC

After a record breaking year 2007, **take-up** during Q1 2008 remained, with 220,000 sq m, very strong representing just a 24% quarter-on-quarter (q-o-q) decrease and a 45% year-on-year (y-o-y) increase – as a result setting new Q1 take-up records.

Also in terms of **number of deals**, Q1 records were broken with a total of 44 lease transactions representing a 76% y-o-y increase and only a 15% q-o-q decrease. The **average deal size** remained with 5,000 sq m relatively stable compared to 4,600 sq m during the whole of 2007 and 6,100 sq m in Q1 2007.

At the end of Q1 2008, almost 9.7% of modern warehouse space in the Czech Republic was immediately available. This represents only a slight q-o-q increase from 9.4% at the end of 2007 to 9.7% at the end of Q1 2008. The **vacancy rate** in the Czech Republic has been stable during the last 3 quarters, hovering around 9.5%.

Because of historically high take-up during recent quarters, a record amount of 775,000 sq m of modern developer led warehouse space is currently **under construction** in the Czech Republic. Out of this total, 58% is speculatively under construction, representing a significant decrease compared to 72% during Q4 2007.

Because vacancy rates remain stable, **headline rents** are not changing much either, although there are significant regional differences. In the Greater Prague Area, headline rents range between EUR 3.75 – 5.25 per sq m per month and in the Pan Czech Republic submarket between EUR 3.50 – 4.50 per sq m per month.

Q1 2008 INDICATORS	TOTAL	GREATER PRAGUE	PAN CZECH REPUBLIC
STOCK (sq m)	2,248,000	1,175,000	1,073,000
SPACE UNDER CONSTRUCTION (sq m)	775,000	304,000	471,000
TAKE-UP (sq m)	220,540	81,760	138,780
NET ABSORPTION (sq m)	31,350	-6,400	37,750
VACANCY	9.7%	13.8%	5.2%
HEADLINE RENT (EUR/sq m/month)	3.50 – 5.25	3.75 – 5.25	3.50 - 4.50

### SELECTED INDUSTRIAL TRANSACTIONS, Q1 2008

Tenant name	Project name	Submarket*	sq m
Fiege	ProLogis Park Prague D1	1	5,000
Globus	ProLogis Park Jirny	1	5,200
CS Cargo	VGP Park Horni Pocernice	1	2,890
Setto Spedition	Business Park U Tovaren	1	15,000
Loxess	CTPark Bor	2	15,650
De Vries Transport Group	CTPark Bor	2	9,470
Burr Oak Tool Inc.	D5 Logistics Park	2	2,000
Maurice Ward	CTPark Brno South	2	4,950
Sungwoo	CTPark Ostrava	2	9,800
Rosso Steel	CTPark Ostrava	2	5,870

\* Submarket 1 – Greater Prague Area, Submarket 2 – Pan Czech Republic

### SUBMARKET 1 - GREATER PRAGUE AREA

Take-up in the Greater Prague Area increased by 15% y-o-y to a Q1 record high of 81,760 sq m in Q1 2008. The average deal size decreased from 5,300 sq m during 2007 to 4,100 sq m during Q1 2008.

At the end of Q1 2008, a total of 162,000 sq m warehouse space was immediately available equalling a vacancy rate of 13.8% compared to 12.2% at the end of 2007. The amount of warehouse space speculatively under construction decreased from 78% at year end 2007 to 56% at the end of Q1 2008.

There are significant differences between the 3 Prague submarkets. Prague North/Northeast remains the most active with a total of 12 transactions resulting in 45,000 sq m of take-up, compared to 5 deals & 14,000 sq m of take-up in Prague West and 3 deals & 23,000 sq m of take-up in Prague Southeast.

As a result, most warehouse space is under construction in Prague North/Northeast – in this case 209,000 sq m – where total stock more than doubled y-o-y to a total of 483,400 sq m. At the same time however, vacancy rates are also highest in this submarket, equalling 20.6% compared to 11.4% in Prague West and 6.2% in Prague Southeast.

### SUBMARKET 2 - PAN CZECH REPUBLIC

Especially in the Pan Czech Republic submarket, take-up remained very strong and broke Q1 records. With a total of 138,780 sq m, it just came 5% short of the historically high levels reached during Q4 2007.

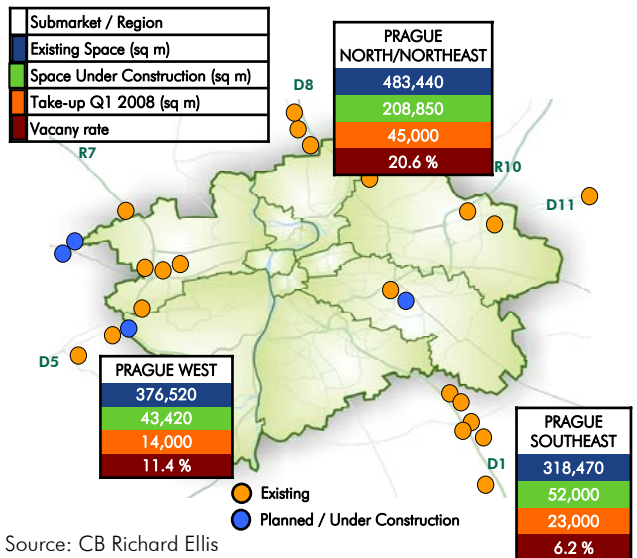
Take-up was especially strong in the up and coming regions of North Moravia (42,790 sq m) and North West Bohemia (38,250 sq m) due to increasing demand for warehouse space for light manufacturing operations. Also, take-up was strong in South West Bohemia (34,320 sq m) due to strong demand from logistics providers. Demand for warehouse space in Brno remained strong although realized take-up was low (15,000 sq m) due to lack of supply.

The vacancy rate decreased from 6.3% at year end 2007 to 5.2% at the end of Q1 2008. There are however large regional differences. A total of more than 42,000 sq m warehouse space – i.e. 10.6% of total stock – was immediately available in Southwest Bohemia (D5 motorway) compared to 900 sq m – i.e. 0.2% of total stock – in South Moravia.

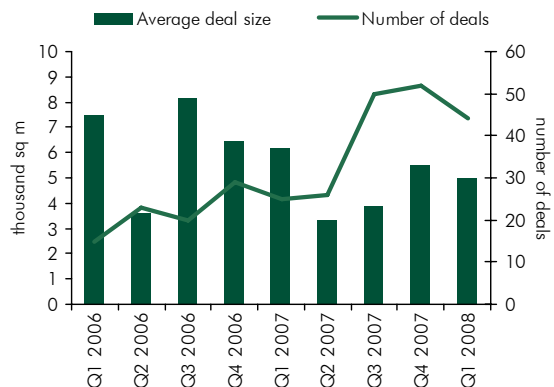
#### DEFINITIONS

STOCK – warehousing space in modern, Class-A, developer-led schemes;  
 VACANCY RATE – a ratio of vacant warehouse space to total stock;  
 TAKE UP – net warehouse space that has been leased in a given period (not include temporary deals, which are less than 1 year);  
 NET ABSORPTION – change in occupancy from one period to another;  
 UNDER CONSTRUCTION – developer-led warehouse space currently being developed.

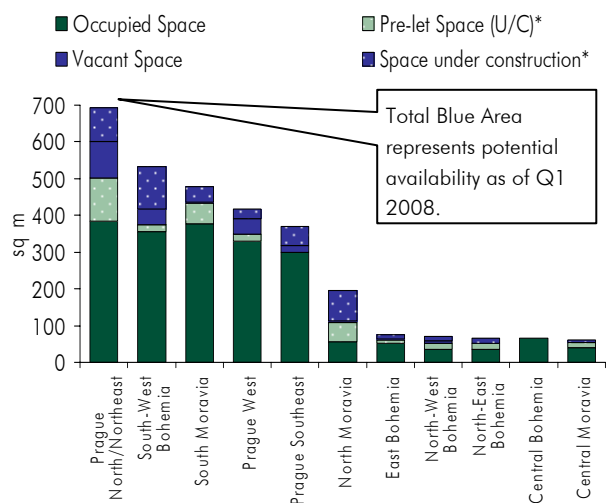
### WAREHOUSE & LOGISTICS SPACE IN GREATER PRAGUE



### AVERAGE DEAL SIZE AND NUMBER OF DEALS IN THE CZECH REPUBLIC



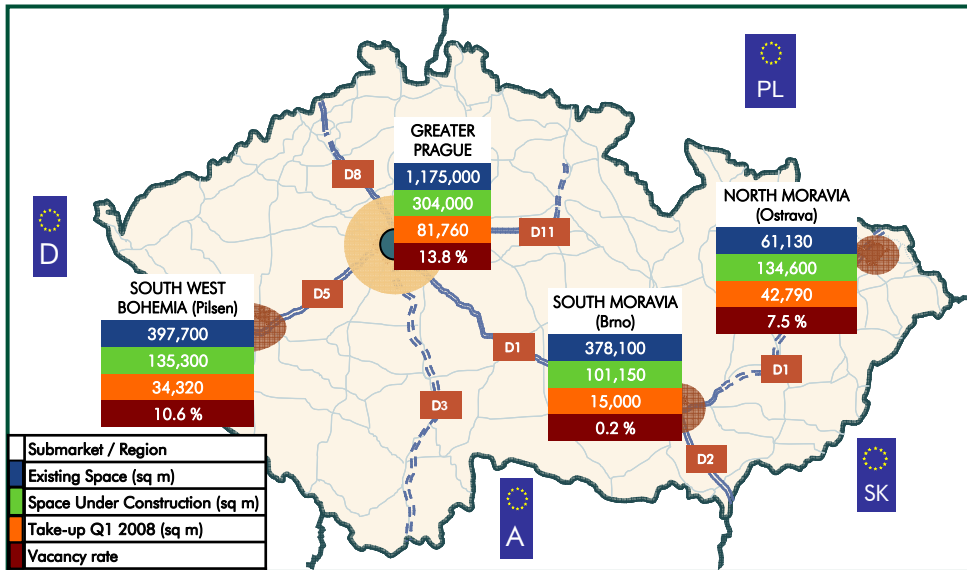
### POTENTIAL AVAILABILITY BY LOCATION (at the end of Q1 2008)



\* Space under construction to be completed within next 12 month period

Source: CB Richard Ellis

## Warehouse & Logistic Space in Czech Republic



Source: CB Richard Ellis

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