

Logistics: 224% year-on-year increase in demand



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“The increasing demand positively affects firstly the vacancy rate, which decreased in quarterly comparison by one percentage point to the current level of 15,5 %. Secondly the careful recovery of the offer - one storage hall with the area of 12 000 metres was completed and further 100 000 square metres of new industrial and storage space are currently under construction,“ Markéta Milková from King Sturge comments on the situation in the local logistics sector this year. However, she points out that all construction is commissioned, the banks do not provide funding for speculative projects. “The industrial and logistics property market was hit by the crisis first, the construction was reduced significantly already in the second half of 2008. Now a change is coming. Increasing demand for rentals in the last six months, several quarters of repeatedly declining vacancy rate and currently resumed construction of new halls - these are considered as tangible signals of the improving situation in this segment of the property market,“ adds Ondřej Novotný from King Sturge. The Czech industrial and logistics property market reached the total capacity of 3,36 mill. square metres at the second half of 2010.

Demand generated mainly by producers

Realized demand in 2nd quarter of 2010 rose by 41 % ,compared to 1st quarter of 2010, this is even a year-on-year increase by 224 %. (DTZ states that the realized demand - adjusted by pre-negotiated leases and relocations reached slightly lower volume, this is an increase by 79 % and 181 % year-on-year increase.)

In terms of territory, the tenants´ interest was concentrated in the vicinity of Pilsen, along the D5 motorway (35 %) as well as on Prague and its surrounding areas (34,5 %). The most important lease transaction of the second quarter of 2010 include; the lease of 19 thousand square metres by the company Lear in the D5 Logistics Park, 18 000 square metres by an unnamed company at VGP Park Hrádek nad Nisou and the lease of nearly 18 000 “square“ by Sony DADC at ProLogis Park Štěňovice.

After the fall in demand from production companies last year, the second quarter of this year showed repeated increase of their interest in logistics space (50 % of the realized offer), they were followed by logistics companies (28 %) and end users (22 %). The average volume of a transaction in the second quarter was 6 300 square metres, according to DTZ.

Tenants can get considerable discounts

“The increasing demand helps to decrease the total vacancy rate which fell by two percentage points in the course of 2010; it enables some property developers to expand the existing park or thanks to preleases start construction of halls outside of the established industrial and logistics locations,” says Milan Korbelář, head of industrial and logistics property at King Sturge. Regarding leases in the second quarter of 2010, the most active property developer was CTP Invest, which signed lease contracts (new and renegotiations) for more than 74 750 square metres of logistics spaces, ie. approximately a third of lease transactions concluded in the Czech logistics market Republic during the second quarter of 2010. As to development activities, one of the largest projects under construction is Logistics Park Lovosice (42 000 metres) and expansion of CTPark Ostrava project (28 400 metres).

The vacancy rate fell to 15,5 % in the first half of 2010, this is a decline by 2 per cent since the end of 2009. The highest vacancy rate is in northern Moravia in the long term (currently more than 30 %), on the contrary the lowest - zero - is in eastern Bohemia. In Prague, although a considerable part of this year’s demand focused here, the vacancy rate ranges slightly above the Czech average, 16,8 % in particular. “The decrease of vacancy rate is caused on one hand by the increasing demand from production and logistics companies given the improving economic situation in the Czech Republic as well as Europe. On the other hand, the active approach of developers to asset management of their real estate should be mentioned. Instead of on expansion, they focus on efficient management of their parks and active work with the tenants and their lease contracts,” says Ondřej Novotný, analyst at King Sturge.

The rent in the logistics centres today is in the range of EUR 3,25 to 4,75 per month per square metre. It is traditionally higher in Prague but it is relatively high also in new locations (Mladá Boleslav, Liberec, Hradec Králové, Ústí nad Labem and Olomouc) where it can reach up to EUR 4,50 per month per metre. On the other hand, “quantity” discounts are still available, the rent of small units is by 15 % higher on average. This goes for incentives and bonuses from the landlords - common in the commercial real estate sector today. These can decrease the tenant’s expenses by tens of per cent in some cases.

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