Press Release

E-shops are driving the Central European market

In Central Europe, in terms of industrial property development in the coming years Internet shopping may assume greater importance than the automotive industry – the latter having dominated the market over the past twenty years.

BRATISLAVA, 23rd February 2016 – Almost twenty million square metres of modern industrial leasehold are currently available in Central Europe. So strong is the interest on behalf of occupiers that the share of available space has dropped to a historical low of 5.7 per cent. To compare – the share of available office spaces is double that amount (12 per cent). The information comes from findings by Cushman & Wakefield, which has been monitoring the industrial property market in the Czech Republic, Poland, Hungary, Romania and Slovakia over an extended period.

Following a slight downturn in the automotive industry over the past year, the e-commerce segment of the market is playing an ever more important role. „This hovever doesn´t count for Slovak market that hosts 3 automotive producers and 4th is coming.“ said **Martin Hudák**, Senior Conusultant at Industrial team, Cushman & Wakefield in Slovakia.

We are seeing development in terms of both local and foreign e-shops. Several are going down the route of building branches on the local market, while others are expanding abroad. The first step frequently tends to be neighbouring countries within Central Europe. E-shops from all over the world are also heading our way with the intention of settling in the region. And in order to expand, all of them need warehouse and logistics premises," Head of the CE Industrial Team at Cushman & Wakefield **Ferdinand Hlobil** reveals.

"Retailers and stores are expanding their offer through e-shops and this is accompanied by further expansion of warehouse space. Meanwhile large foreign e-shops lease spaces to serve the Western European market and expand to the East. The workforce in the Central European region is skilled and significantly cheaper. It is also frequently possible to negotiate leases under the rate charged in locations west of our borders," says Ferdinand Hlobil.

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Major transactions in e-commerce over the past 2 years included *TIM S.A. (30,000 sq m), Mall.pl (over 9,500 sq m), Home24 (26,400 sq m), Oponeo (12,000 sq m) in Poland,* Amazon *(133,000 sq m)*, Mall.cz *(29,000 sq m)*, Exiteria *(11,000 sq m)* in the Czech Republic and Alza.sk in Slovakia.

“Another notable trend on the market is increasing demand. These days it’s no surprise to receive a request for 100 thousand sq m, occasionally even for 150 thousand sq m. That was unthinkable a few years ago,” claims Ferdinand Hlobil.

Take-up

A total of 4.5 million sq m of industrial space was leased last year. In 2013 this amounted to 4.4 million. These were exceptional years during which leasing volume exceeded the four million mark.

Demand on behalf of occupiers is very strong and almost all new spaces are occupied within a matter of several months. Over the past five years speculative construction has virtually ceased to exist in our segment. Developers have their hands full trying to satisfy demand for new buildings.

Of the 4.5 million leased metres, 3.7 million are located in Poland and the Czech Republic.

New development

Last year developers built slightly over 1.5 million sq m of new buildings. One year earlier it was 1.4 million. The strongest development, however, took place in 2007 and 2008 when the limit of two million square metres per year was achieved (in both years 2.5 million sq m was built annually).

Last year Poland and the Czech Republic were the dominant countries in terms of new construction (together 1.4 million sq m), a recovery was recorded in Slovakia with 80 thousand sq m last year. In the previous two years 20-30 thousand square metres were built. Development in Hungary and Romania has been minimal in recent years; both countries are focusing on leasing existing space above all. And they’re doing well at this,” Ferdinand Hlobil reveals.

Vacancy rate

The vacancy rate in the region has dropped to an historic low of 5.7 per cent.

“The vacancy rate in Hungary has fallen by five percentage points in Hungary to the current 11 per cent, while over the past eight years it has stood at around twenty per cent. Unless the Hungarians start building on a massive scale, it can be expected that the vacancy rate will fall to below the healthy ten per cent level,” Ferdinand Hlobil reveals.

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The vacancy rate is also falling in Romania. This can be attributed to political stability, economic growth, cheap labour and plenty available land. The country has huge potential, companies' interest in the country is constantly growing and Cushman & Wakefield has registered a number of major enquiries.

Outlook

These days we can speak of a strong developer market in Central Europe. When it comes to choice, occupiers have limited options, however at the same time in several locations it is almost possible to make turnkey projects since developers have land and projects ready. As such occupiers can have a built-to-suit building and don't need to adapt to existing spaces," Ferdinand Hlobil explains.

The influx of manufacturing companies from Germany, attracted above all by cheaper qualified labour and lower costs in terms of real estate acquisition, is ongoing. And we expect this trend is set to continue.

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The successful merger of Cushman & Wakefield and DTZ closed September 1, 2015. The firm now operates under the iconic Cushman & Wakefield brand and has a new visual identity and logo that position the firm for the future and reflect its trusted global legacy and wider history. The new Cushman & Wakefield is led by Chairman & Chief Executive Officer Brett White and Global President Tod Lickerman. The company is majority owned by an investor group led by TPG, PAG, and OTPP.

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