CZECHINVEST
Drive for success

Business Properties in 2021

Business properties and brownfields in 2021

In 2021, the Czech market registered unprecedented investor interest in high-quality industrial and logistics properties. Demand was driven by strong interest in practically every region of the country and unprecedentedly low vacancy rates. The vacancy rate reached 1.62% on average, whereas it was close to zero in Prague and the South Moravia region. In light of the ongoing coronavirus crisis, these data indicate the resilience of the Czech industrial property market. Gross realised demand amounted to nearly 2.5 million m^2 in 2021. This represents a year-on-year increase of 62%. In the course of 2021, nearly 492,000 m^2 of industrial space intended for leasing was completed, which represented a 29% decline in comparison with 2020. Total market volume reached the value of 9.66 million m^2 of modern industrial premises. There was a shortage of available and prepared land plots on the market, so the gap between supply and demand widened in the course of the year. Thanks to this, we also witnessed an increase in rents not only in Prague, but also in other regions. The average rental rate ranged from EUR 5.50 to EUR 6/m^2/month, with space in the capital being offered for up to EUR 7/m^2/month.[1]

At CzechInvest, we have long been supporting and promoting the issue of business properties and brownfields. Therefore, in 2021 we strove through our activities to assist foreign investors and domestic companies with the selection of suitable locations for their business operations. We provided them with information about the real estate market, mediated contact with property owners and representatives of local authorities and organised property viewings. For this purpose, we primarily used our Business Properties Database, which at the end of 2021 contained 771 locations suitable for conducting business. Twenty-seven properties were newly registered in the database over the course of last year.

Mapping the brownfield environment in the country's regions remained one of our ongoing key activities. We assisted representatives of municipalities and regions with the preparation of industrial-zone projects and the regeneration of brownfields, including consulting focused on obtaining financial resources from public budgets. In the course of 2021, we provided consulting services in relation to a total of 84 municipal investment projects, of which 70% involved the revitalisation of brownfields. The total estimated value of these projects amounts to CZK 44 billion. We also focused on PPP projects and, in cooperation with our partners, we organised four roundtable discussions with the aim of initiating effective cooperation between municipalities and the private sector.

Property offers and investors' demand for industrial properties in the Czech Republic

A property offer is a document that summarises the basic technical information of a business property and other factors that are important for selecting the location of an investment. In 2021, we prepared a total of 142 offers for investors, which was 28 more than in 2020, an increase of approximately 25%. We presented a total of 711 business locations to foreign investors and domestic companies, which was 116 more than in the previous year. Each property offer thus contained five locations on average.

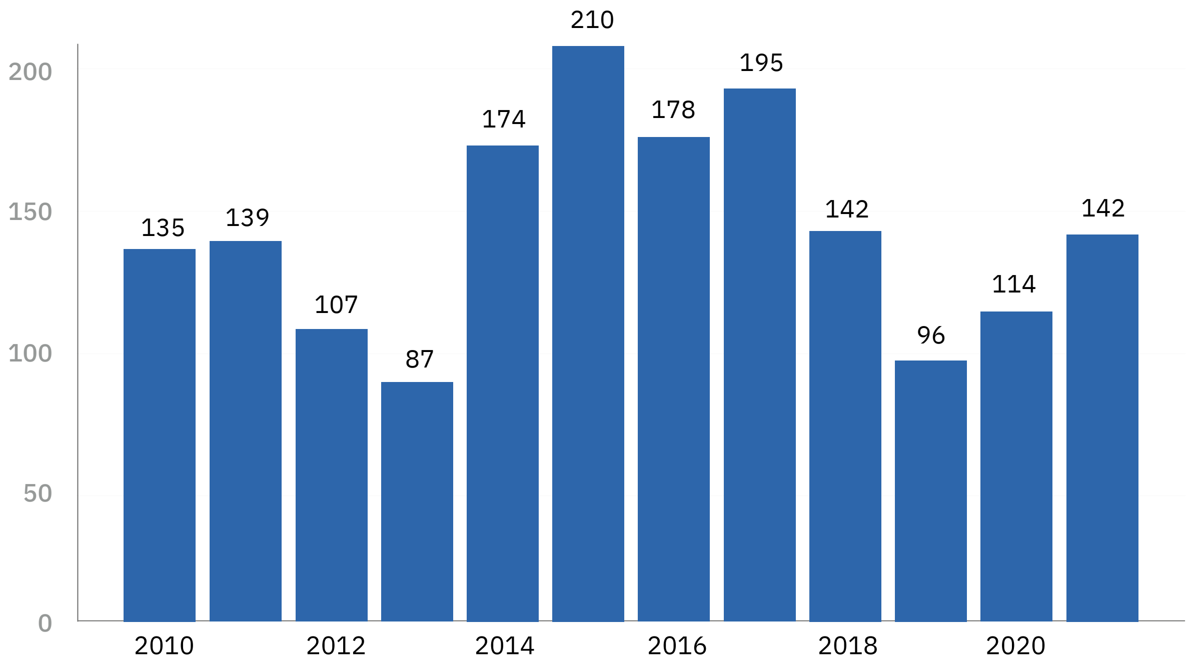
In combination with the rising demand for the sustainability of investment projects, the shortage of suitable land plots with the necessary infrastructure in the Czech Republic has resulted in rising interest among our clients in brownfield sites. Last year, more than one-third of all property enquiries included a request to find a suitable brownfield site. These unused buildings and complexes were thus part of 15% of all property offers. Strategic Industrial Zones[2] were offered a total of 44 times.

In 2021, the largest number of enquiries for business properties (55) were unambiguously in the Other products and manufacturing sector, which includes several traditionally strongly represented industries in the Czech Republic, such as metalworking, plastics and electrical engineering. In comparison with 2020, interest in properties doubled in the Mobility sector (increasing from 15 enquiries to 31). We include in this areas investment projects in the automotive industry and related sectors, where the Czech Republic is gradually strengthening its position as one of the leading European centres for design and R&D activities. Also noteworthy is the tremendous increase in enquiries from the EcoTech sector (up from three enquiries to 15), which includes various technology projects connected with sustainability and protection of the climate and the environment. The major increase in interest among companies in the HealthTech sector (from two enquires to 12) is associated with, among other things, the COVID-19 pandemic and advances in the development and production of medical devices, biotechnology applications, etc.

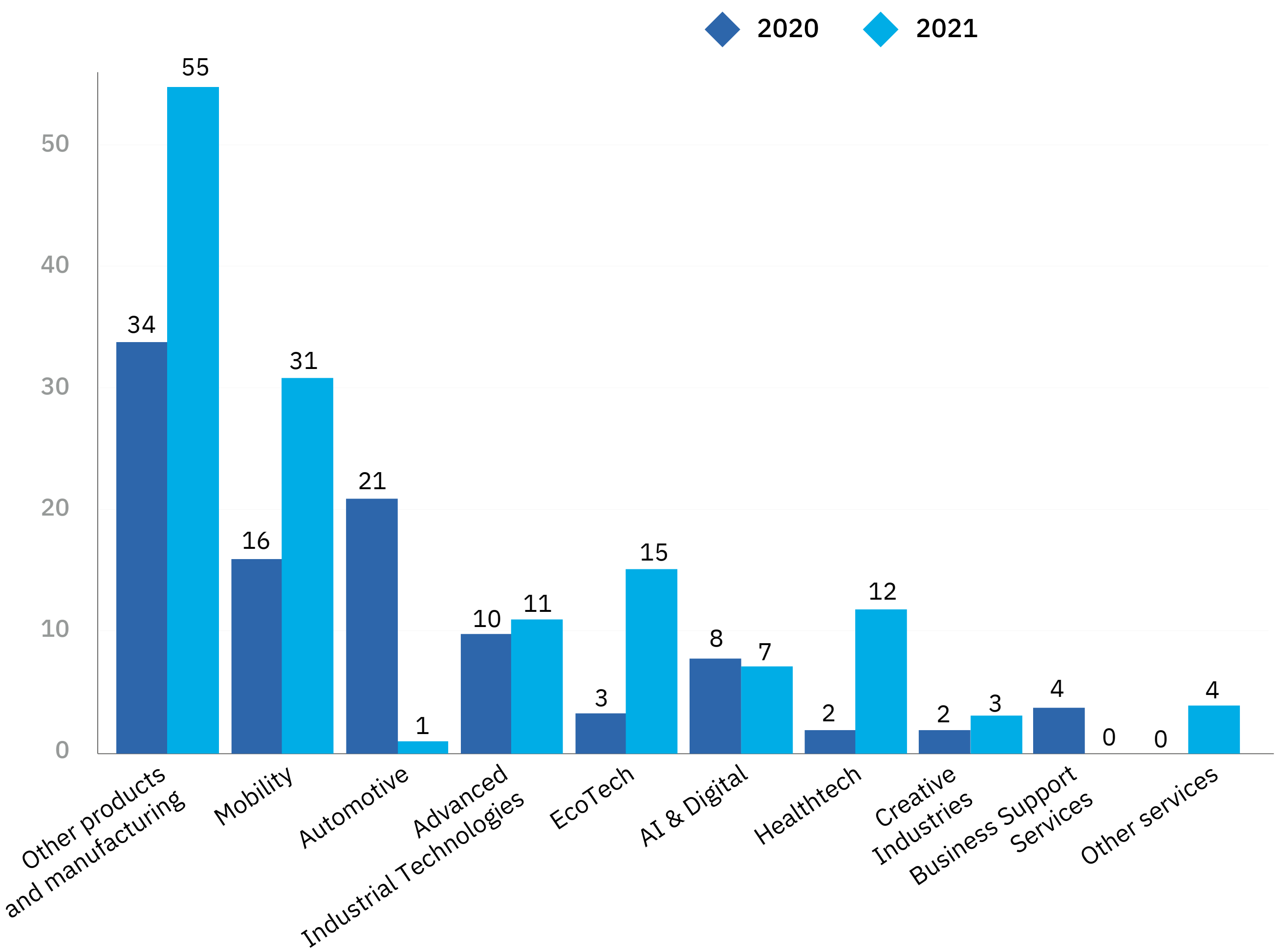
1 *Industrial Properties Q4 2021, Colliers, https://www.colliers.com/cs-cz/research/q4_2021_industrial-cz*

2 *A Strategic Industrial Zone is understood to be an industrial zone designated and supported by the state for the purpose of placing major investment projects (strategic investors) in the areas of advanced manufacturing technologies, technology centres and business support services centres.*

Number of prepared property offers (2010–2021)

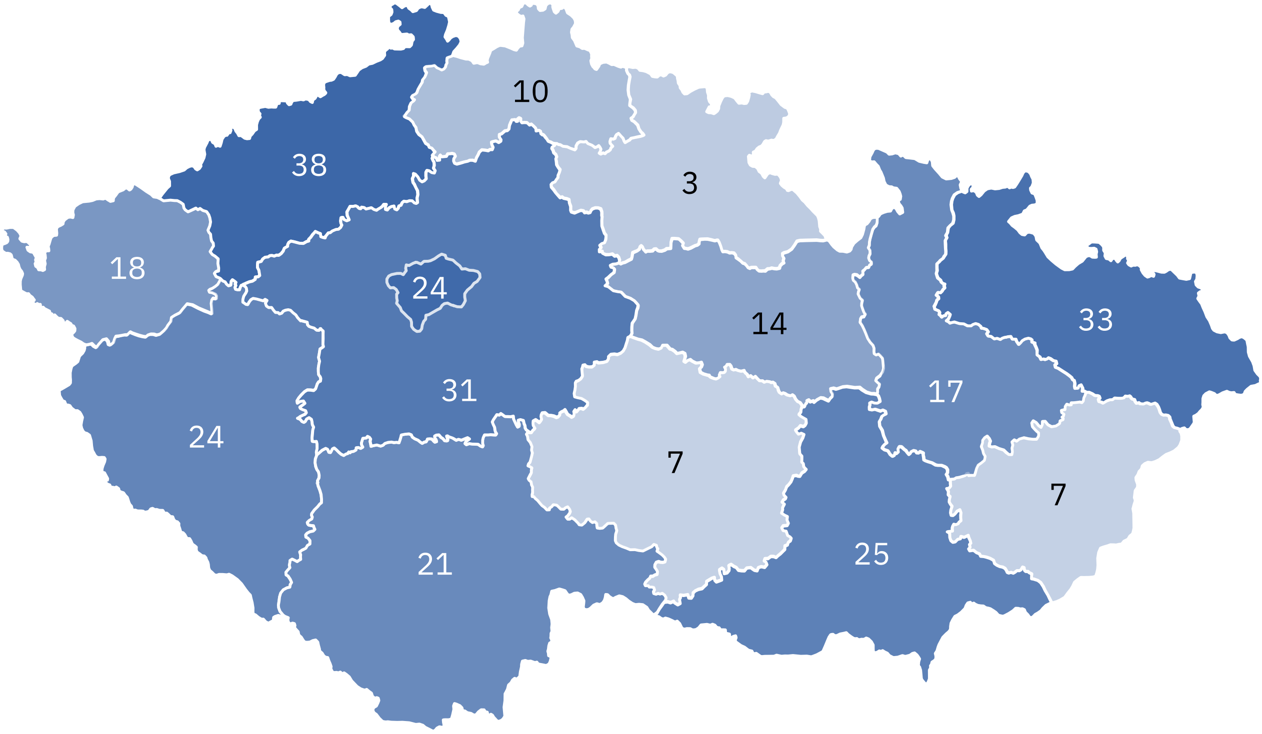


Demand for business properties by technology domain (2020–2021)

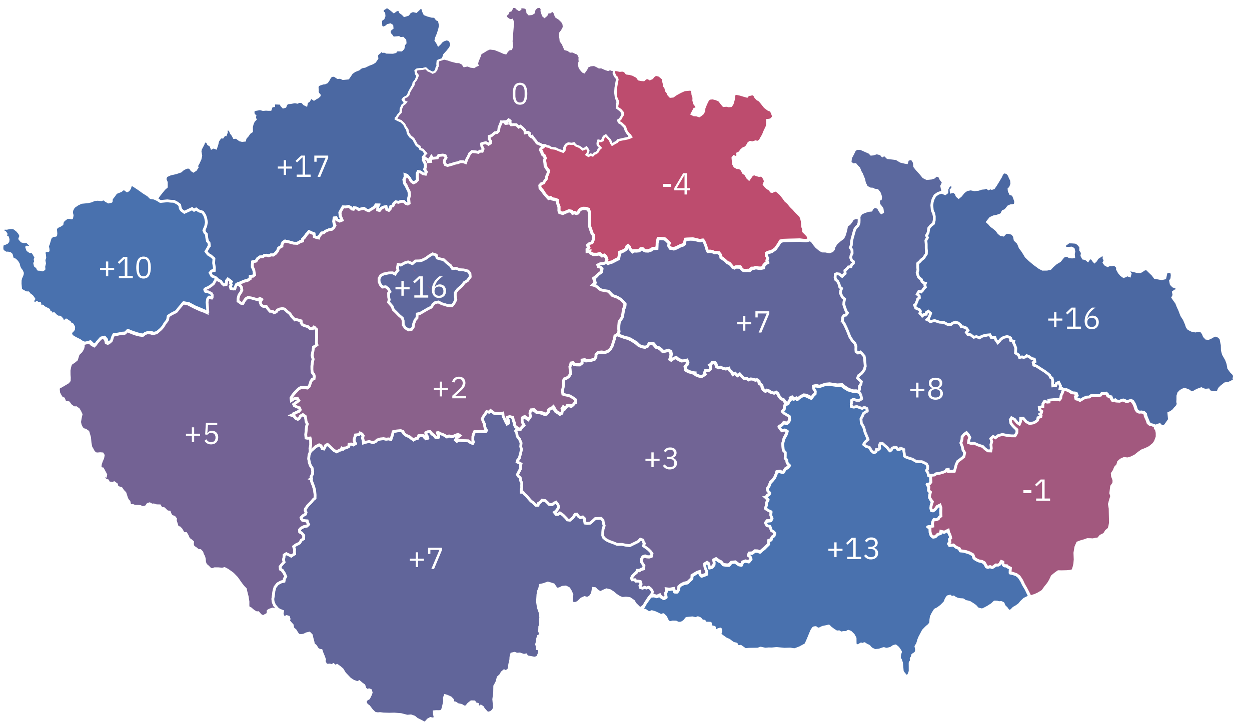


Our clients most frequently enquired about properties in the Ústí region (38 inquiries, 13% share), the Moravia-Silesia region (33 inquiries, 11% share) and the Central Bohemia region (31 enquiries, 10% share). These regions also registered the strongest growth in investors' interest in comparison with 2020. Conversely, interest in properties in the Hradec Králové and Zlín regions decreased slightly.

Regions in highest demand in 2021



Year-on-year change in the number of enquiries for regions (2020–2021)

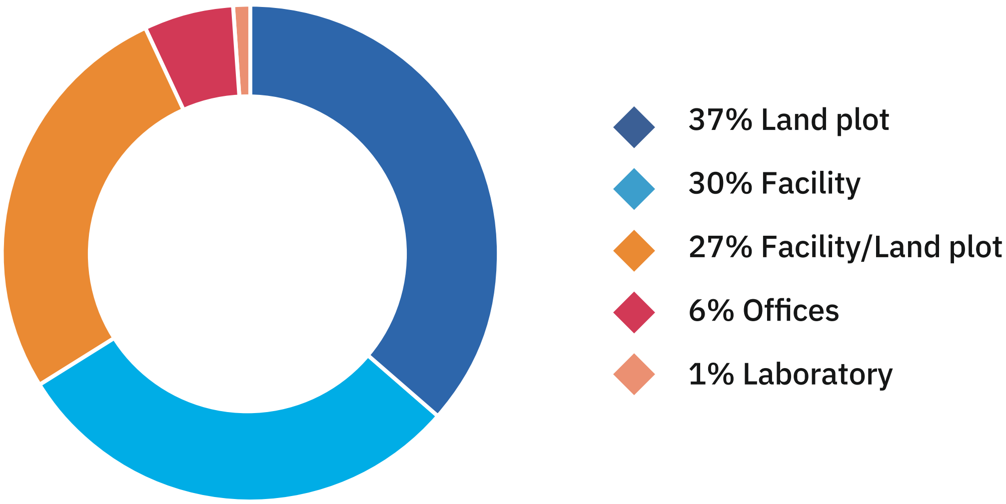


In terms of property category, industrial land plots (37% of inquiries) and finished industrial facilities (30% of enquiries) received the strongest interest in 2021. Industrial facilities and/or land plots were the subject of 27% of enquiries. In comparison with the previous year, demand was more evenly spread among the three main property categories. Demand for industrial facilities decreased (by 19%), whereas demand for industrial land plots increased very significantly.

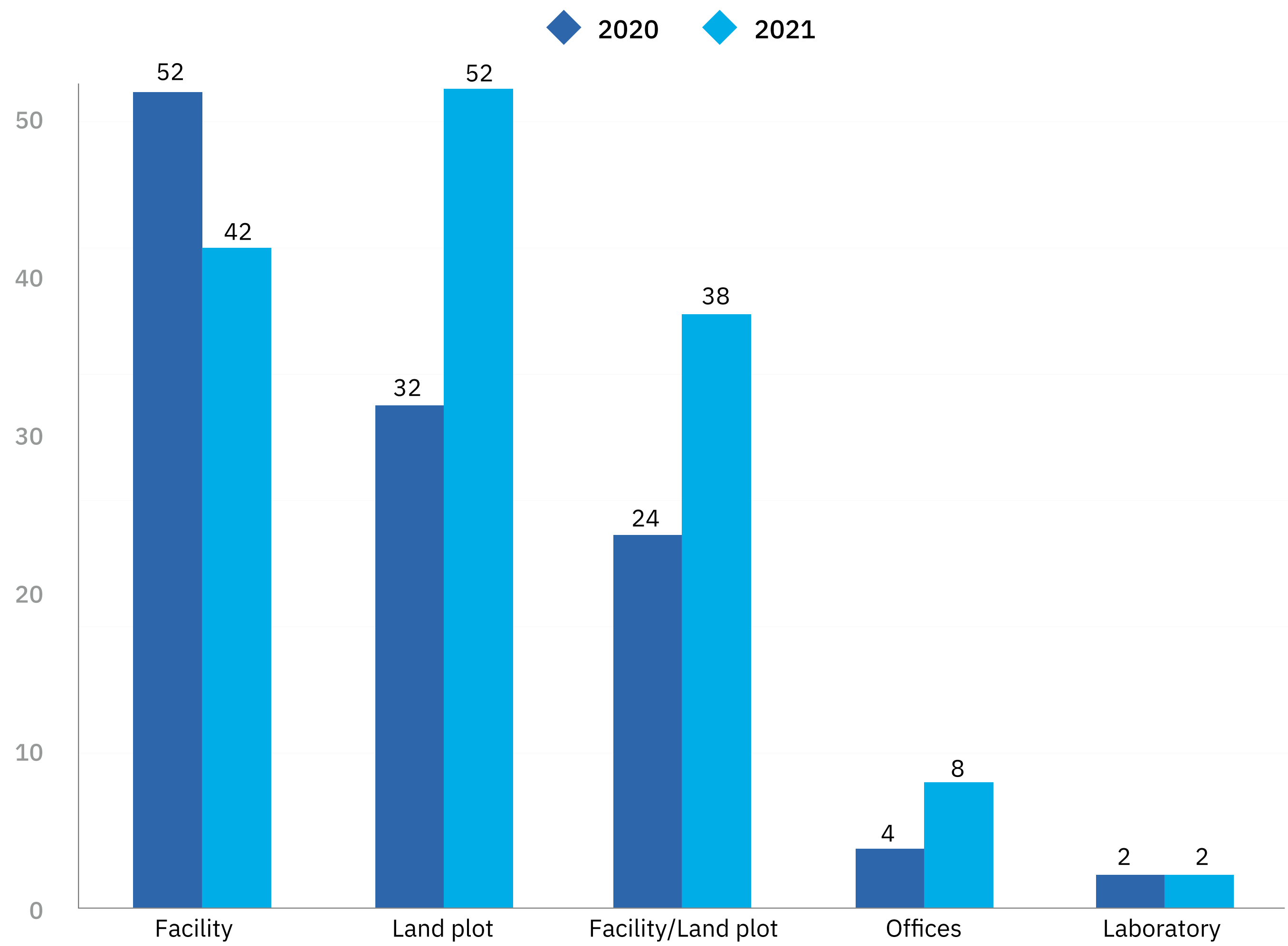
The office property market was also affected by the impacts of the coronavirus pandemic in 2021; according to an analysis conducted by Cushman & Wakefield, demand from potential tenants declined by approximately one-fifth in comparison with the 2014-2018 average.

Despite this, we registered a significant revival of interest among our clients, as demand for offices increased by 100% in comparison with 2020.

Demand for business properties in 2021 by category



Year-on-year change in the number of property enquiries by category (2020–2021)



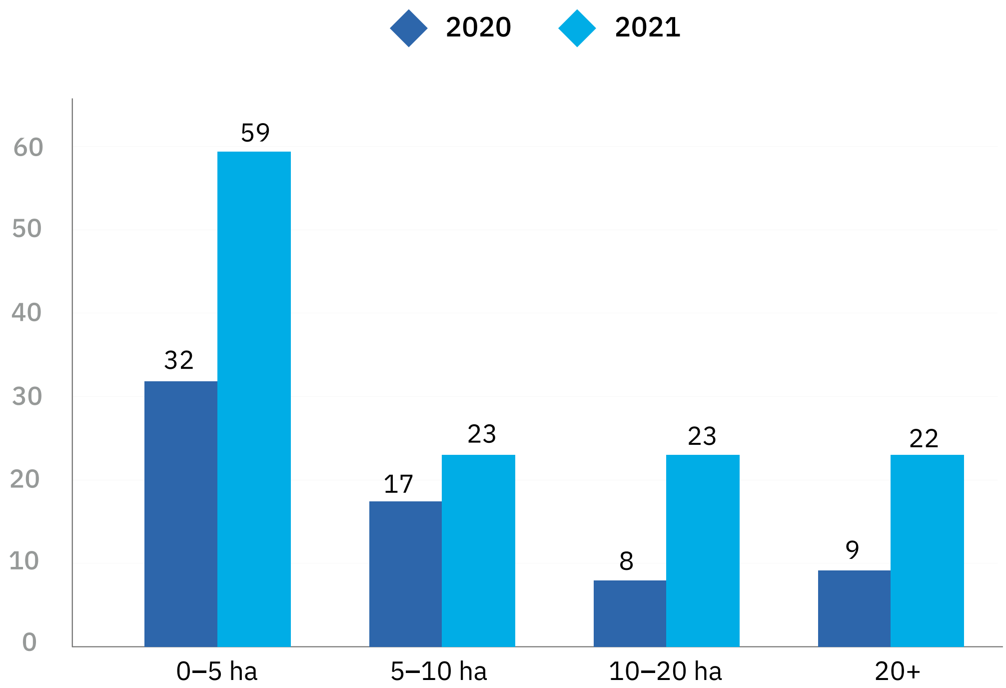
This contradicts the expectation that the home-office model would remain in fashion and that office premises would be the main loser of the pandemic. Though most companies have chosen a combined working arrangement, they are not getting rid of their office space.

It can thus be stated that, with the exception of laboratories, there was a year-on-year increase in demand in all of the monitored categories and that investors' interest in properties in the Czech Republic matched the five-year high reached in the years before the coronavirus pandemic. Year-on-year growth in interest was most apparent in the case of industrial land plots (63% increase compared to 2020).

In 2021, investors' interest in land plots of all sizes increased significantly. This reflects the current situation on the market, where there is a very low vacancy rate in the case of rental business properties. The largest number of enquiries (59) was recorded for sites with an area of up to 5 ha, which accounted for 46% of the total volume of land-plot enquiries.

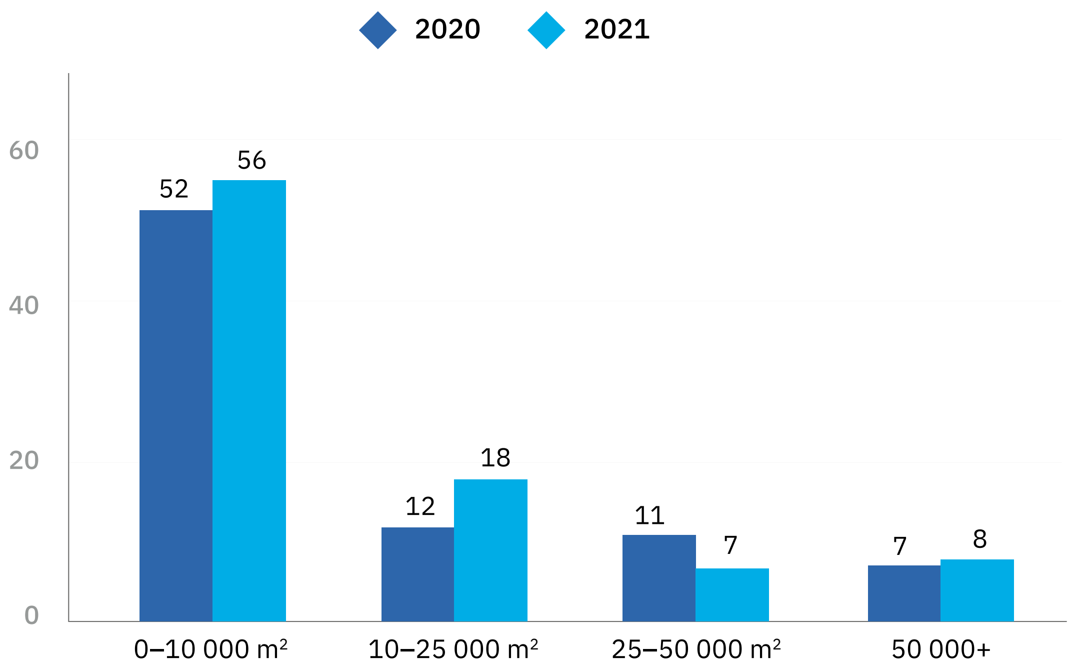
As this category had previously dominated among land plots in 2020 and 2019, we can observe a trend, which is reflected in the partial diversification of some larger industrial zones and their focus on smaller (local) investors. In almost equal measure, investors enquired about sites with an area ranging from 5 ha and 10 ha and from 10 ha and 20 ha (23 enquiries in total, 18% share). In connection with gigafactory projects, we registered a major increase in interest in sites covering more than 20 ha (22 enquiries, 17% share). However, it is necessary to mention that larger-scale investment-ready sites are a scarce commodity in the Czech Republic.

Demand for land plots by size (2020–2021)



The industrial facilities segment saw an increase in demand across all categories. As in the previous year, investors most frequently enquired about facilities with a size of up to 10,000 m2 (56 enquiries, 63% share). There was also increased demand for facilities ranging in size from 10,000 m2 to 25,000 m2. Conversely, demand for facilities with a usable area of 25,000 m^2 to 50,000 m^2 declined. Similarly as in the previous period, in 2021 we also encountered demand for exceptionally large industrial buildings with a floor area of more than 50,000 m^2 (eight enquiries, 9% share).

Demand for industrial facilities by size (2020–2021)



Brownfield statistics

As at the end of 2021, we had registered a total of 3,565 locations with a total area of 10,600 ha in the **National Brownfields Database**.[3] By way of comparison, this is the size of a regional capital; in fact, we could build a new Hradec Králové on this combined area. The average area of registered brownfield sites was approximately three hectares. A total of 1,911 records were updated in the course of the year and 679 new locations were added to the database, of which 169 were registered for subsidy purposes. Registration in the given database and the inclusion of a site among brownfields opens the door to specific types of state aid. Of the newly registered 510 non-subsidy locations, 401 were registered thanks to active mapping of the brownfield environment within our **Business Environment Inventory** project.[4] The remaining 109 locations were registered by the property owners or by representatives of municipalities (or regions) for the purpose of offering those sites to potential investors.

The largest number of brownfields in 2021 were registered in the Moravia-Silesia region (577 sites). The Liberec region, which was dominant in the previous year, is in second place with a slight year-on-year decrease in the number of brownfield (by 28 sites). The South Moravia region ranked third in terms of the largest number of brownfields. It is necessary to mention that all three of these regions have a very strong historical predisposition for the creation of brownfield sites, as they have a strong industrial heritage, and the historical experience with the displacement of the Sudeten population also plays a role. With respect to these historical factors, these three regions have the strongest focus on the issue of brownfields and, in cooperation with CzechInvest, have long been involved in the mapping of such sites.

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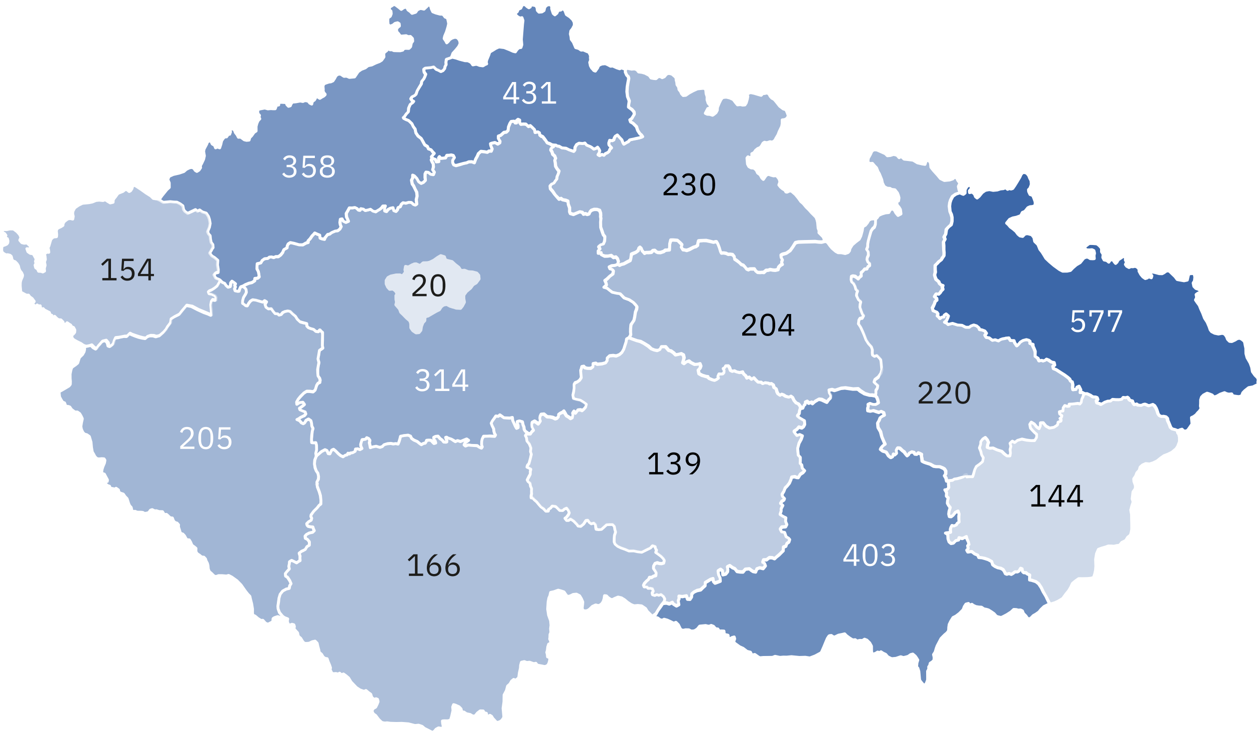
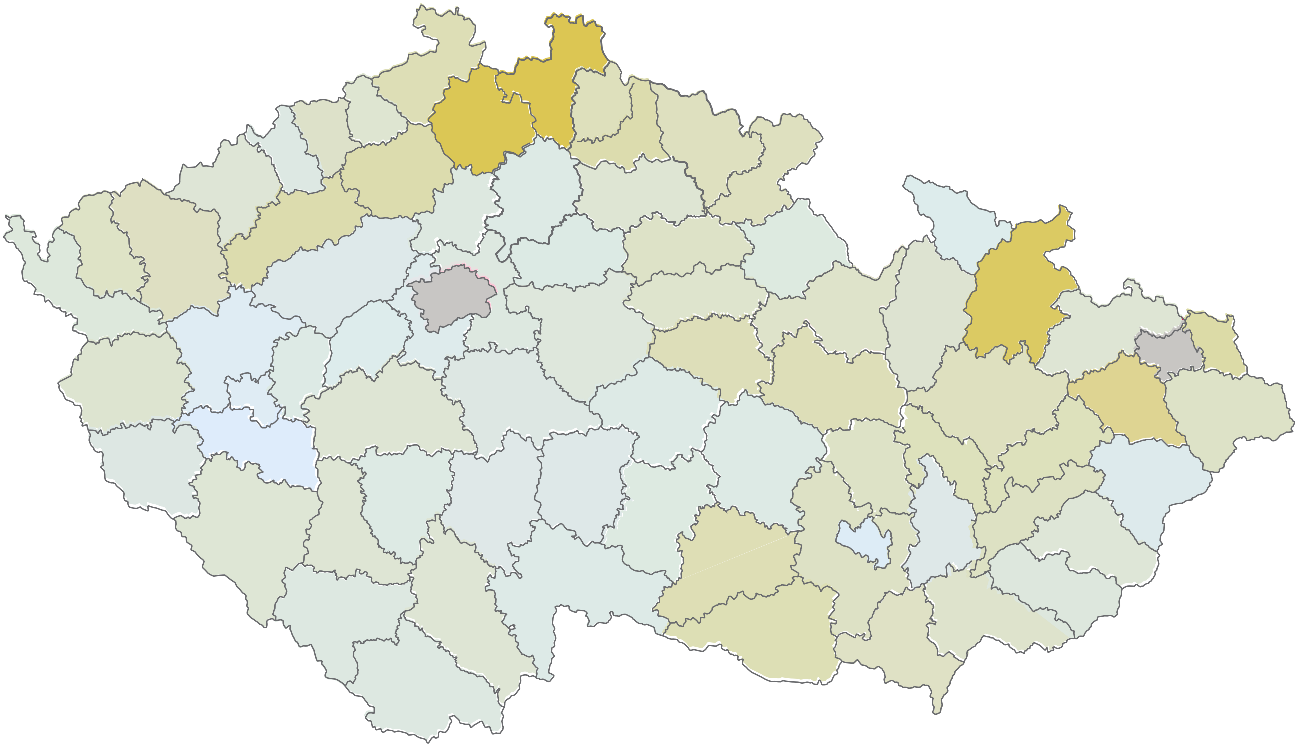
[3] *http://www.brownfieldy.eu/databaze-brownfieldu/*
[4] *https://www.czechinvest.org/cz/Sluzby-pro-municipality/Pasport-podnikatelskeho-prostredi*

Distribution of registered brownfields across the regions of the Czech Republic (as at 31 December 2021)



Distribution of registered brownfields across the districts of the Czech Republic (as at 31 December 2021)

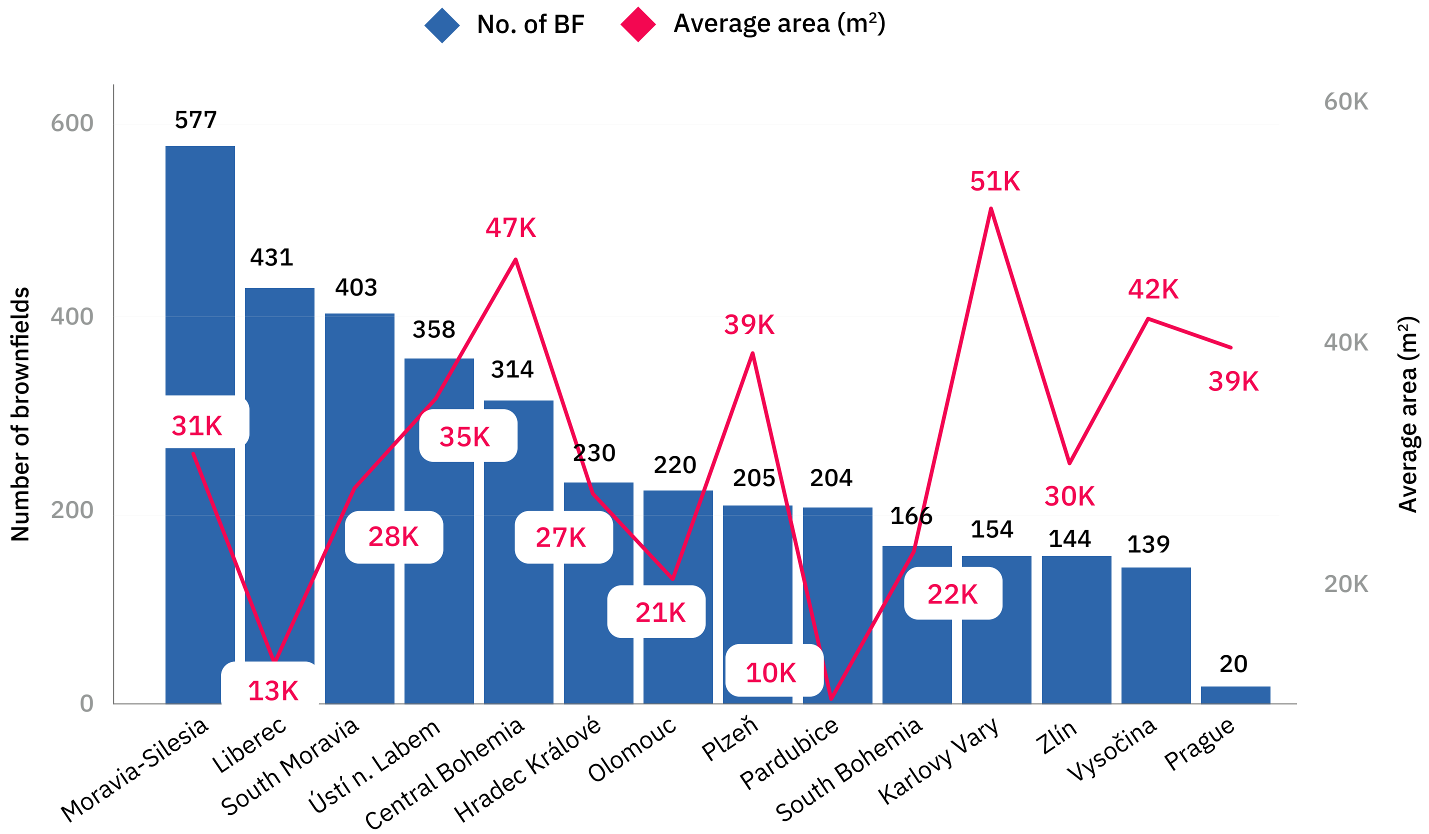


Districts with the largest number of brownfields

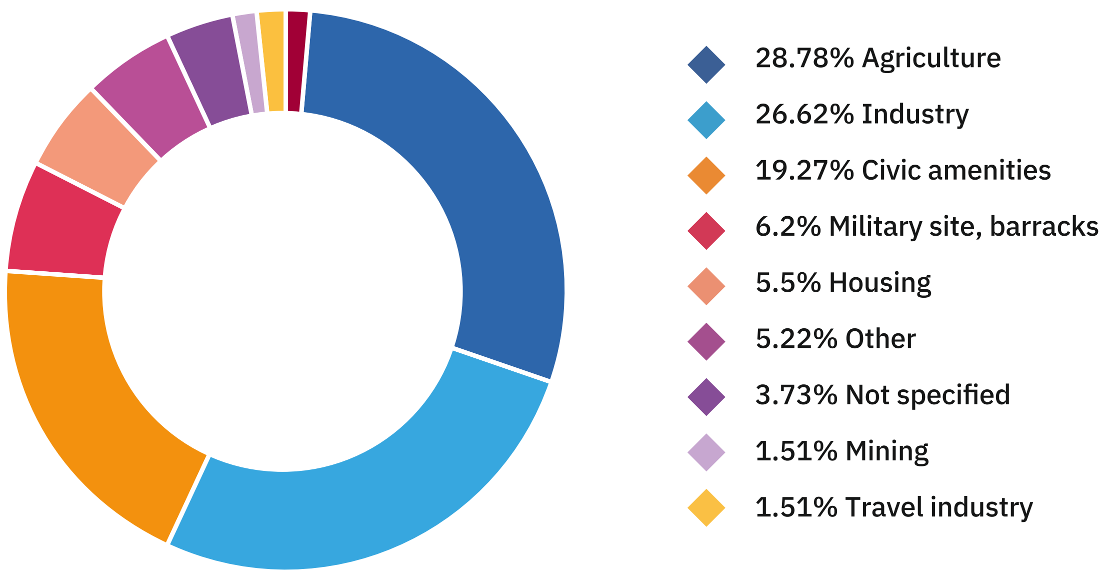
District	Number of brownfields
Liberec	148
Česká Lípa	146
Bruntál	134
Nový Jičín	94
Karviná	75

In aggregate, the largest areas occupied by unused sites are in the Moravia-Silesia region (1,446 ha), the Central Bohemia region (1,356 ha) and the South Moravia region (1,103 ha). If we focus on the average size of registered brownfields, we will notice that the largest brownfields are found in the Karlovy Vary, Central Bohemia and Vysočina regions.

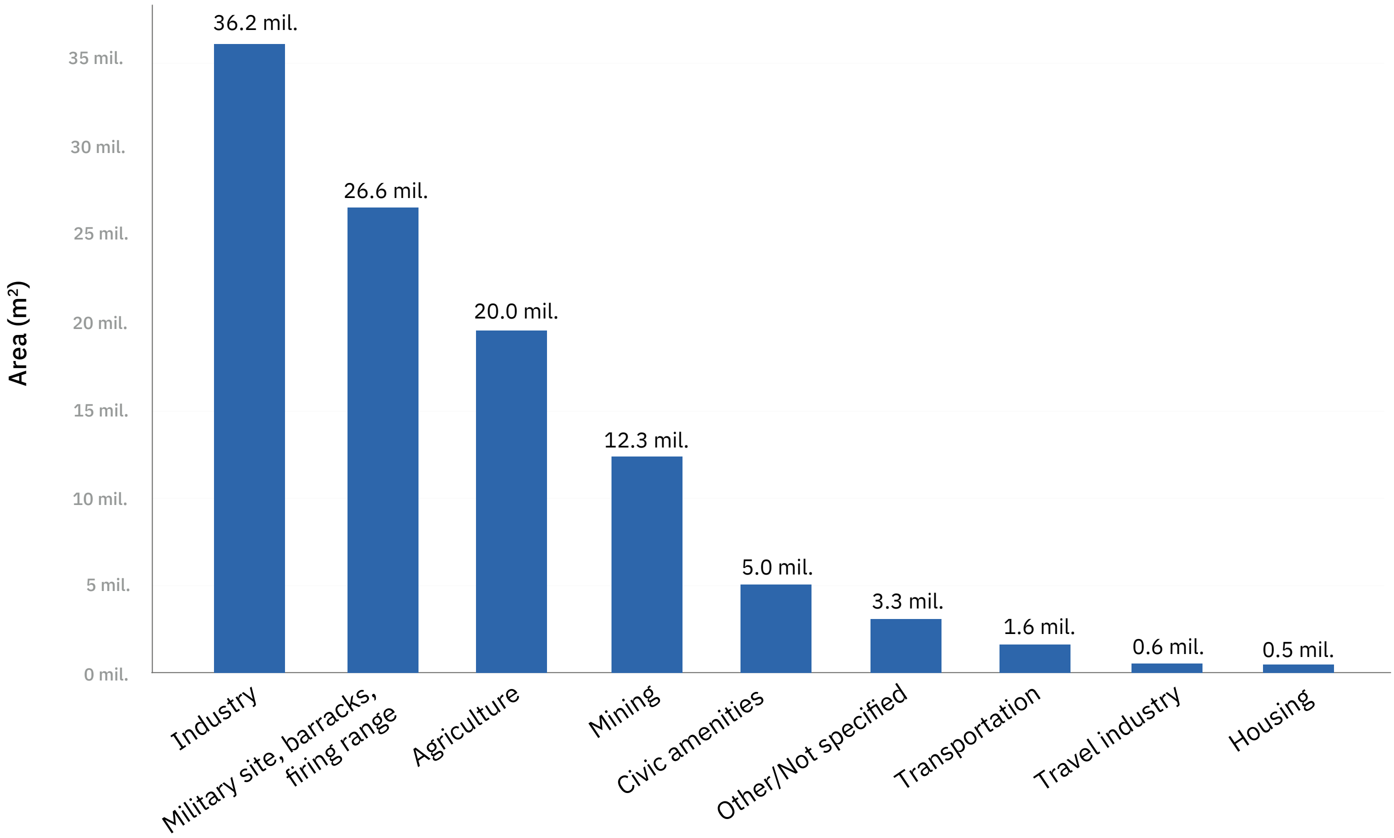
Number of brownfields in the National Database and their average area (as at 31 December 2021)



Previous uses of brownfields by number of registered sites

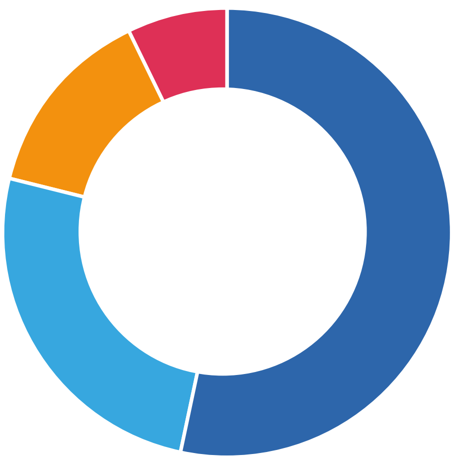


Previous uses of brownfields by area



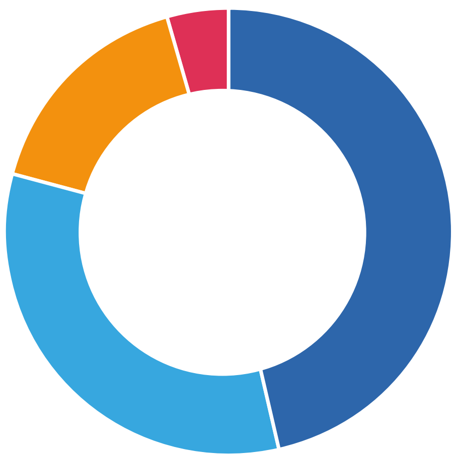
Agricultural brownfields (28%), industrial sites (26%) and former civic amenity buildings (19%) comprised the largest number of sites registered in the National Database in 2021. Former factories and manufacturing plants occupy the largest total area (36.2 million m2) across the regions of the Czech Republic, followed by former military sites and buildings (26.6 million m2). These sites are generally very large, but there are not many of them in the Czech Republic and they therefore account for only 6% of the total number of brownfields.

Brownfields by ownership



- 53.35% Private
- 25.55% Public
- 13.97% Combined
- 7.12% Not specified

Brownfields by environmental burden

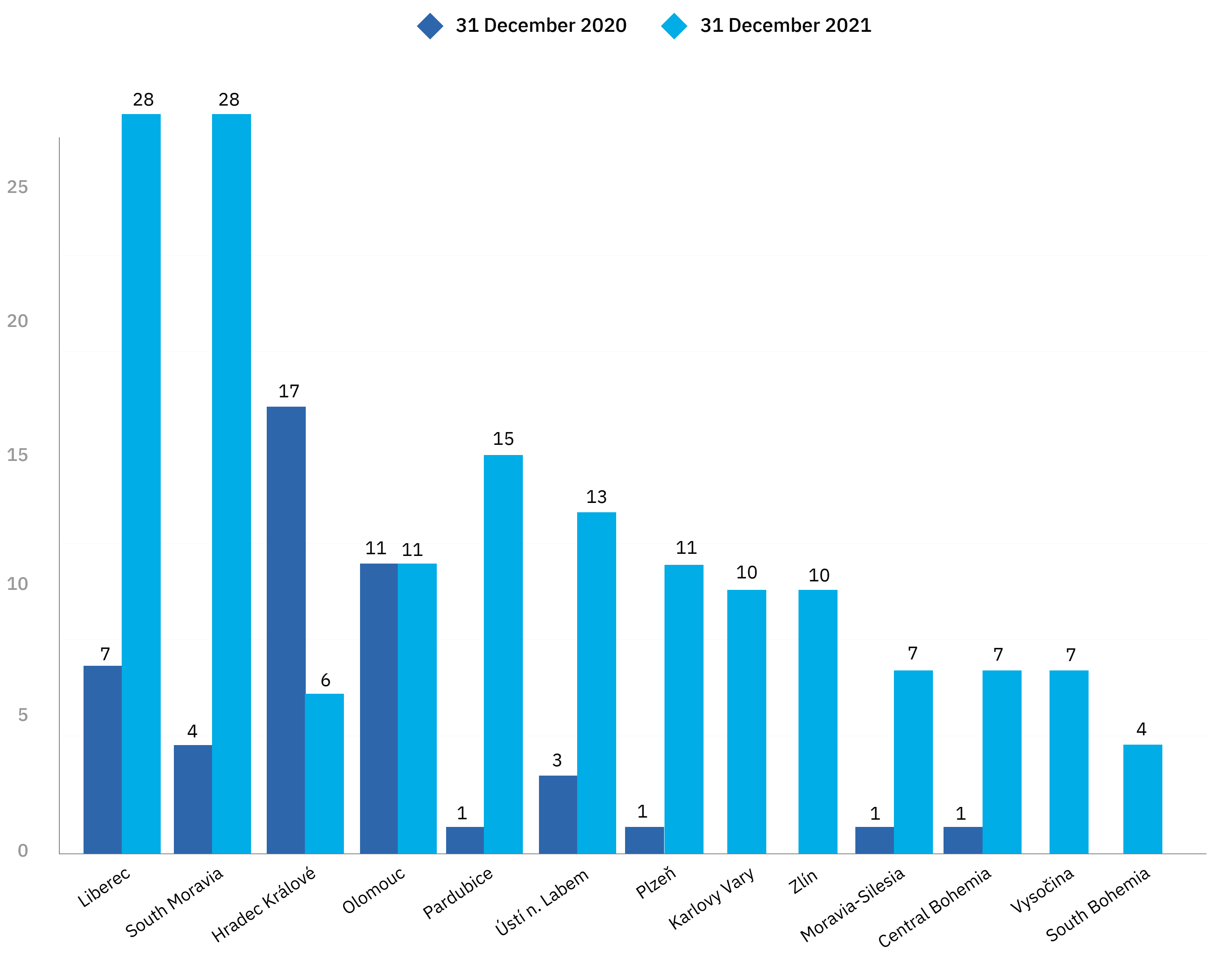


- 46.45% No
- 32.93% Unknown
- 16.3% Can be assumed
- 4.32% Yes

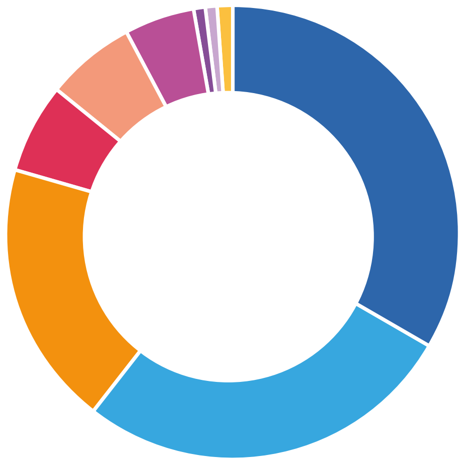
Since 2019, there has been an annual increase in the number of brownfields in the database that are categorised as civic amenities due to their nature (e.g. community centres, libraries, service buildings, etc.). These are usually so-called subsidy brownfields, which are registered by representatives of municipalities for the purpose of obtaining state aid for their revitalisation. More than 53% of the sites in the National Brownfields Database are owned by private entities. Publicly owned brownfields account for less than 26% of the total and 14% of sites are under combined ownership. Environmental burden is one of the main factors that often complicate the revitalisation of brownfields. Soil contamination represents an additional risk for investors and a significant increase in the financial and time requirements of the given project. Therefore, one positive aspect is that nearly half of the registered brownfields (46%) are free of environmental contamination. A certain degree of contamination has been confirmed in the case of 4% of the sites. In the remaining cases, the presence of environmental contamination is either unknown (33%) or can be assumed (16%) with respect to the nature of the sites' previous use.

A total of 157 sites (including 37 under public ownership) with a combined area of more than 342 hectares were deactivated from the National Brownfields Database in 2021. This was a three-fold increase in comparison with 2020, when we deactivated 45 sites. It is necessary to mention that targeted updating of the database was carried out in the past year, which may slightly distort the statistics of regenerated sites for the given year. In terms of the nature of sites, the majority were industrial (34%) or agricultural (24%) brownfields. Sixty-eight percent of the deactivated brownfields sites were owned by private entities, 34% were publicly owned and 8% were under combined ownership.

Number of deactivated sites in the National Brownfields Database by region



Deactivated brownfields by previous use



Support for brownfields and the National Recovery and Resilience Plan

In 2021, our analysis of specific brownfields became one of the bases for the preparation of Component 2.8 – Revitalisation of Sites with Old Structural Burdens within the National Recovery and Resilience Plan (NRRP). For this component, we also prepared extensive **verification of the absorption capacity** of publicly owned brownfield projects. The analysis involved colleagues from all of our regional offices and other partners in the given territories. Thanks to this, we were able to collect a total of **334 potential projects**, which we classified in five colour-coded categories. The main criterion was preparedness. A condition specified in the NRRP is that projects must be pledged by 2023 and implemented by 2025. The following colour-coded classification of project preparedness was thus created:

- **Green** – the project has a valid building permit (73) or land-use ruling (9) or project documentation for a building permit and a building permit will be issued by the end of 2022 (11); **there are thus 93 potentially prepared projects.**
- **Yellow** – a project that is not fully prepared in terms of design, but the project documentation is in progress and issuance of a building permit is expected by the end of 2023; **122 projects in total.**
- **Orange** – projects that are not prepared in terms of design, mostly only in the form of a study; design work is in the early stages and it is not certain that a building permit will be issued by the end of 2023; 42 projects in total.
- **Red** – someone is engaged in the project (mostly the initial phase of preparation), but there is a strong probability that a building permit will not be issued by the end of 2023; **54 projects in total.**
- **Grey** – in a different state of preparedness, but the project does not fulfil the current conditions of the NRRP (mostly preparation of the site, only demolition, preparation of infrastructure, waste-water treatment); **23 projects in total.**

The analysis points out the systemic problem of insufficient support for the preparation of projects that are potentially able to utilise the currently prepared support (only approximately 27% of projects had been prepared in detail). An important factor comprises the European Commission’s requirement to increase the energy efficiency of buildings in the case of individual projects, due to which it may be necessary to modify the project documentation of a large number of projects that have already been prepared.

The potential investment value of all identified projects is more than **CZK 40 billion**. Component 2.8 of the National Recovery and Resilience Plan anticipates a total allocation of approximately CZK 3 billion. The excess demand is thus entirely obvious and support for these projects will have to be systematically addressed in parallel with financing from the National Recovery and Resilience Plan. Because most of the projects require individual consultation, we decided together with the Ministry of Industry and Trade and the Ministry of Regional Development to organise a series of consultation days in all regional capitals in the first half of 2022.

Aid programmes in the area of brownfields in 2021

Call V of the **Regeneration and Business Use of Brownfields programme** was announced on 17 February 2021. Like the previous calls, this one was intended for municipalities in structurally disadvantaged regions (Moravia-Silesia, Ústí and Karlovy Vary) and other economically and socially imperilled territories according to the **Regional Development Strategy of the Czech Republic 2021+**. Applications could be submitted until 30 June 2021. The ministry accepted eight projects in the total value of more than CZK 330 million, while the requested volume of aid amounted to more than CZK 248 million. The programme, which was launched in 2017, ended with the fifth call. Over the course of calls I to V, the Ministry of Industry and Trade supported 28 projects with a total investment value of more than CZK 844 million. The requested aid exceeded the amount of CZK 635 million in total and municipalities invested CZK 209 million from their own resources. Thanks to this public aid, brownfields covering a combined area of 9.8 ha were regenerated and the volume of renovated space reached the value of 105,404 m3.

In 2021, representatives of municipalities could also apply for support for the **regeneration of brownfields for non-business use** throughout the Czech Republic. The State Investment Support Fund issued a call for submission of projects on 1 February 2021 and applications were accepted from March to the end of April. Sixty-eight applications were received, of which 19 projects in the total value of more than CZK 459 million were approved. In total, aid in the amount of CZK 365 million was requested for the projects. In 2022, municipalities and private entities will have access to new aid schemes, which will be introduced with a delay in the 2021-2027 programming period. In addition to the programmes continuing with previously proven aid schemes (IROP[5], OPTAC[6]), next-generation programmes will also be opened, thus enabling, among other things, support for brownfield sites. These include, for example, the aforementioned National Recovery and Resilience Plan and the Operational Programme Fair Transformation, which will focus on the transformation of the country's coal regions.

Database of investment opportunities

In order to provide our clients with better and higher-quality services, in 2021 we began working on the creation of a new, modern database of investment opportunities, which will integrate two existing databases (business properties and brownfields) and will be based on GIS technology. The new information system should not only significantly digitalise and automate work processes in the formulation of property offers, but it will also be a part of the digital transformation of the entire agency. Interconnection with the information system of the Inventory project and with other public-administration systems, from which statistical data will be taken, is anticipated. The system should be completed in the second half of 2022.

[5] *Integrated Regional Operational Programme*

[6] *The Operational Programme Technologies and Applications for Competitiveness (OPTAC 2021–2027) will build on the Operational Programme Enterprise and Innovation for Competitiveness (OPEIC 2014–2020)*

Summary

In 2021, the domestic property market saw record demand for industrial properties, which is confirmed by our statistics. This is despite the fact that we do not monitor the entire business-property market, but rather focus on the investment plans of our clients, which are typically expanding domestic companies and foreign investors with higher value added.

In 2021, we prepared a total of 142 offers within which we presented 711 sites to domestic and foreign investors. In comparison with the previous year, our clients' demand for business properties increased by 25%. Land plots with an area of up to 5 ha were most frequently the subject of enquiries. In the segment of industrial facilities, investors primarily were looking for properties with an area of up to 10,000 m². Interest in brownfields increased significantly year-on-year, as 34% of all property enquiries included a request to find a suitable brownfield site. Due to the lack of available sites for development in the Czech Republic and the high occupancy rate of rental industrial facilities, we anticipate that investors' interest in brownfields will continue to increase in the coming years.

The lack of prepared industrial land has led to a further widening of the gap between supply and demand, as well as an increase in rental prices on the Czech business-property market. Average rents were in the range of EUR 5.50-6/m²/month. According to data from Colliers[7], there was also a record low vacancy rate in industrial rental space (1.62%) in 2021. In light of the ongoing coronavirus crisis, these data indicate the resilience of the Czech industrial-property market. The largest completed facility was a building in the CTP Bor industrial park (62,100 m²), which was leased by the logistics company Loxxess. The largest completed industrial facility was a 29,400 m² building constructed for Tchibo's expansion at Panattoni Park Cheb.[8]

In terms of the location of investments, the Ústí region was, on average, in highest demand among our clients (38 enquiries), followed by the Moravia-Silesia and Central Bohemia regions. The largest number of enquiries in 2021 were recorded in the Other products and manufacturing sector, which includes a number of traditional industries such as metalworking, plastics and electrical engineering. In comparison with 2020, interest in properties nearly doubled among companies in the Mobility sector (up from 15 enquiries to 31). Also noteworthy is the tremendous increase in enquiries from the EcoTech and HealthTech sectors.

In 2021, we newly registered 679 sites in the National Brownfields Database, of which 169 are subsidy sites and 510 are non-subsidy sites. A total of 109 sites were registered by the property owners or by representatives of municipalities (or regions) for the purpose of offering those sites to potential investors. In total, 157 brownfields covering an area of 342 hectares, including 37 sites under public ownership, were deactivated in the database due to sale or regeneration.

For Component 2.8 – Revitalisation of Sites with Old Structural Burdens within the National Recovery and Resilience Plan, we carried out an extensive analysis of the absorption capacity of projects across all regions of the Czech Republic. We collected a total of 334 potential projects with an anticipated investment value of more than CZK 40 billion. We further classified all of these projects in five categories according to their degree of preparedness. There are 93 projects at a more advanced stage of preparation, meaning that they already have building permits or are expected to receive building permits by the end of 2022. A total of 122 projects are expected to receive building permits by the end of 2023. The analysis indicates that there is a systemic problem involving insufficient support for the preparation of projects that are potentially able to utilise the currently prepared support (only approximately 27% of projects had been prepared in detail). In 2022, we will launch a new database of investment opportunities, which will lead to the effective use of data and open presentation of business properties and brownfields. In connection with this, we will also consult on the possibilities of financial and non-financial support for investment projects and present examples of good practice.

[7] *Industrial Properties Q4 2021, Colliers, https://www.colliers.com/cs-cz/research/q4_2021_industrial-cz*

[8] *Industrial Research Forum, IRF Press Release 04/2021, source: https://www.industrialresearchforum.cz/cs/irf-tiskova-zprava-q4-2021/*

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