

Q1 2021: Record demand for industrial real estate, the largest volume of concluded contracts, vacancy fell again

Industrial Research Forum Announces Industrial Market Figures for Q1 2021

- **Covid-19 has not significantly affected the industrial sector in the 1st quarter, although it has contributed to the faster growth of e-commerce and mail order services**
- **New supply during Q1 2021 has decreased by 57% compared to the 5-year Q1 average**
- **Approximately half of the space currently under construction is in the Greater Prague, Pilsen and Moravia-Silesia regions**
- **In the 1st quarter, a record volume of contracts was concluded totalling 3/4 million sq m of industrial space, more than a third were new leases**
- **Vacancy dropped by 61 basis points compared to the previous quarter and is currently in line with vacancy seen in Q1 2019**
- **The highest achievable rent has slightly increased to the new level of € 4.80/sq m/per month**

TOTAL STOCK & NEW SUPPLY

The modern, developer-led warehouse stock in the Czech Republic reached 9.17 million sq m during Q1 2021. Approximately 68,000 sq m was newly delivered to the market in Q1 2021 within 5 industrial parks across the country. This figure represents a 65% decrease compared to the same period of the previous year. In comparison with the previous quarter, this is a decrease of 45%. Circa 94% of the newly completed space in Q1 2021 was already leased by the time construction was completed.

The largest completion in Q1 2021 was in CTPark Bor (28,200 sq m) which was, at the time of completion, fully leased by retail company Primark. The second largest completion with a size of 25,000 sq m was in Logistics Park Nošovice which was fully pre-leased by 3PL company Hyundai Glovis. The third largest completion was in Panattoni Park Prague Airport II (8,000 sq m) which was, at the time of delivery, mostly pre-leased by production company Lindab.

PROJECTS UNDER CONSTRUCTION

At the end of Q1 2021, the total space under construction in the Czech Republic amounted to 557,500 sq m representing a significant increase of 83% compared to the previous quarter. Approximately 21% of that space is situated in the Greater Prague region, 20% in the Pilsen region and 15% is in the Moravian-Silesian region. During Q1 2021, development works commenced on 289,300 sq m of industrial space. The share of speculative space under construction decreased to 22% during the quarter.

INDUSTRIAL TAKE-UP

During Q1 2021, gross take-up, which includes renegotiations, reached a new all-time high and amounted to 765,600 sq m. In comparison with the previous quarter, the gross take-up increased by 44%. Compared to the Q1 2020 figures, it represents a significant increase of 147%.

During Q1 2021, the share of renegotiations accounted for 61% which is a significant increase compared to the previous quarter (38%).

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Net take-up in Q1 2021 totalled 299,400 sq m, showing a slight decrease of 10% quarter-on-quarter, and a significant increase of 185% year-on-year. Net demand (excluding confidential deals) in the first quarter was driven mainly by manufacturing companies, which accounted for 37% of the total volume, followed by distributors with a 32% share.

MAJOR LEASES WITHIN TAKE-UP

The largest overall transaction in the first quarter of 2021 was a renegotiation, together with an expansion, signed by the online distribution company Tchibo in Panattoni Park Cheb with a total volume of 102,200 sq m. Both parts of the contract were the largest recorded for a new transaction and for the renegotiation in the first quarter of 2021. Together, they represent the second largest transaction ever recorded in the Czech Republic. The second largest new transaction was a pre-lease of 28,000 sq m in VGP Park Vyškov, which was concluded by a confidential retail company. The third largest transaction was a pre-lease in VGP Park Olomouc, where a confidential 3PL company pre-leased a building with a total size of 26,800 sq m.

VACANCY

At the end of the first quarter of 2021, the vacancy rate in the Czech Republic reached 3.6%, which was a significant decrease of 61 basis points compared to the previous quarter and a decrease of 78 basis points year-on-year. At the end of the first quarter of 2021, there was a total of 329,100 sq m of modern industrial space on the market, which was ready for immediate occupancy. The vacancy rate of industrial premises in the Greater Prague region reached 2.0% in the first quarter of 2021.

RENT

Prime headline rents achieved in the Czech Republic during Q1 2021 have increased slightly to a new level of €4.80 sq m/month. Rents for mezzanine office space stand between €8.50 – 9.00 sq m/month. Service charges are typically around €0.50 – 0.65 sq m/month.

Industrial Research Forum

The Industrial Research Forum was established in 2010 with its aim to provide clients with consistent, accurate and transparent data about the Czech Republic industrial real estate market. The members of the Industrial Research Forum, CBRE, Colliers International, Cushman & Wakefield and JLL, share non-sensitive information and believe the establishment of the Industrial Research Forum will enhance transparency on the Czech industrial market.

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Definitions:

Total 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 space.

Take-up:

Take-up represents the total floor space that was let or pre-let over the specified period of time. A property is taken-up when the lease or future lease contract is signed. This includes only long-term leases of a period longer than one year. Gross take-up includes renegotiations. Net take-up excludes these and includes only new leases, pre-leases, and expansions of space within existing lease contracts.

Vacancy rate:

Ratio of physically vacant space in completed buildings on the total stock of warehouse and industrial space including office areas.

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 (normally 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 a period of five years, with ceiling heights of over 8 metres, used primarily for distribution/warehousing uses

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