

## Q2 2021: Vacancy rate in industrial parks dropped to a historic low, rents continue to rise

*Industrial Research Forum Announces Industrial Market Figures for Q2 2021*

- **The new supply of industrial space is growing, but the total area completed in the second quarter was still below the five-year average**
- **Most of the construction commenced in Q2 2021 was located in the Moravian-Silesian region**
- **Net quarterly demand reached the highest level of 387,700 sq m since the start of measuring**
- **The constantly declining vacancy rate averaged at 3% in the Czech Republic; the Greater Prague region recorded a 1.4% vacancy rate**
- **The highest achievable rent has again slightly increased to the new level of € 5/sq m/month**

### TOTAL STOCK & NEW SUPPLY

The total area of modern industrial space for lease in the Czech Republic increased to 9.28 million sq m in the second quarter of 2021. A total of 113,200 sq m of new warehouse space was delivered to the market within 11 industrial parks across the country. This represents a 46% decrease compared to the same period last year and a 66% q-o-q increase. At the time of completion, approximately 89% of the projects were already pre-leased.

The largest completion was a 19,000 sq m hall located in the Ostrava Airport Multimodal Park. The Continental Barum production company fully occupied the hall at the time of completion. The second-largest completed hall of 17,500 sq m, located in the CSPP Planá Nad Lužnicí park, was fully leased to the C.S.Cargo logistics company. The third-largest completion was in CTPark Žatec (11,800 sq m), leased to the manufacturing company Nexen Tire Europe.

### PROJECTS UNDER CONSTRUCTION

At the end of the second quarter of 2021, almost 690,000 sq m of industrial space was under construction, increasing by 21% compared to the previous quarter. 22% of this area is located in the Pilsen region, 21% in the Greater Prague region and another 21% in the Moravian-Silesian region. Developers started constructing 226,700 sq m during Q2 2021, 98,000 sq m situated in the Moravian-Silesian region. The share of speculative space under construction fell by one percentage point to 24% in the second quarter, representing a decrease of 17 percentage points y-o-y.

### INDUSTRIAL TAKE-UP

Gross take-up (including renegotiations) totalled 529,300 sq m in the second quarter of 2021, representing a 31% decrease compared to the previous record quarter but a 44% increase y-o-y.

The share of renegotiations decreased by 34 percentage points from 61% to 27% compared to the previous quarter, with a year-on-year decline of 24 percentage points.

Net take-up in Q2 2021 reached 387,700 sq m, the highest quarterly level in history, a 29% increase compared to the previous quarter, and a 107% increase compared to the same period last year. Net demand was driven mainly by distribution companies (particularly retail and e-commerce), which accounted for 34% of the volume, followed by logistics companies with a 31% share.

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## MAJOR LEASES WITHIN TAKE-UP

The most significant transaction in the second quarter of 2021 was a renegotiation and an expansion signed by the logistics company FM ČESKÁ in the industrial park P3 Lovosice for the area of 60,600 sq m. The second-largest lease transaction was a renegotiation and expansion with a total size of 35,000 sq m in CTPark Brno signed by the manufacturing company Kompan Czech Republic. The third-largest closed deal was a pre-lease of 25,000 sq m in VGP Park Prostějov by the retail company OKAY.

## VACANCY

In the second quarter of 2021, the vacancy rate declined again to 3.0%, representing a decrease of 53 basis points compared to the previous quarter and a fall of 170 basis points compared to the same period last year. At the end of the second quarter of 2021, a total of 280,200 sq m of modern industrial space was on the market, available for immediate lease. The vacancy rate in the Greater Prague region dropped to 1.4%.

## RENT

Prime headline rents have increased slightly to a new level of €5 sq m/month in the Czech Republic and €5.20 sq m/month in the Greater Prague region during the second quarter of 2021. Rents for mezzanine office space stand between €8.50–9 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.

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**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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