

Press Release

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Q4 2021: Record space under construction, the largest volume of concluded new contracts and falling vacancy

Industrial Research Forum Announces Industrial Market Figures for Q4 2021

- **Modern industrial stock in the Czech Republic surpassed 9.6 million sq m**
- **Half of the space currently under construction is in the Olomouc, Pilsen and Moravia-Silesia regions**
- **Currently, more than 1,100,000 sq m of A-class warehouse is under construction.**
- **In the 4th quarter, almost 480,000 sq m of industrial space was newly leased, surpassing last quarters record-high levels.**
- **The vacancy rate dropped by 36 basis points compared to the previous quarter and by 251 basis points compared to Q4 2020.**
- **Prague's average highest achievable rent has again increased to the new level of €6.00 per sq m per month, with a few special offers starting at €7.00 per sq m per month. As of now, prime rents are subject to a further increase in the upcoming months.**

TOTAL STOCK & NEW SUPPLY

The modern, developer-led warehouse stock in the Czech Republic reached 9.6 million sq m, and we expect that by the end of H1 2022, it will surpass 10 million sq m. Approximately 149,000 sq m was newly delivered to the market in Q4 2021 within ten industrial parks across the country. This figure represents a 12% decrease compared to the previous quarter as several projects which were expected to be completed in 2021 were delayed to the following year. Compared to the same period of the previous year, this is an increase of 14%. Almost 492,000 sq m of new industrial space was delivered in 2021, which represents a 29% decrease compared to 2020.

The most significant completion in Q4 2021 was the expansion of Panattoni Park Cheb (29,400 sq m), which was, at the time of completion, fully leased to Tchibo. The second-largest completion was in VGP Park Vyškov (28,000 sq m), which was fully leased to OKAY. The third-largest completion was in GLP Park Praha Chrástany (23,700 sq m), the first phase of the building fully let to Alza. The second phase will be delivered in H1 2022. The largest completion in 2021 was a building in CTPark Bor (62,100 sq m) fully leased to 3PL company Loxxess.

PROJECTS UNDER CONSTRUCTION

At the end of Q4 2021, the total space under construction in the Czech Republic amounted to the historically highest level of 1,110,000 sq m, representing an increase of 23% compared to the previous quarter and ca. 240% increase compared to the same period last year. Around 25% of that space is situated in the Olomouc region, followed by Moravia-Silesia with 15% and 11% in the Pilsen region. During Q4 2021, development works commenced on a total of 333,500 sq m of industrial space. The share of speculative space under construction decreased to 24% during the quarter. In 2022, the overall new supply is expected to exceed 1.5m sq m, which is more than any previous annual volume of newly delivered industrial space ever recorded.

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INDUSTRIAL TAKE-UP

During Q4 2021, gross take-up, including renegotiations, reached 672,400 sq m. This represents an increase of 37% compared to Q3 2021 figures and a 26% increase compared to Q4 2020. During Q4 2021, the share of renegotiations accounted for 29%, an increase compared to the previous quarter (17%).

Net take-up in Q4 2021 totalled 478,600 sq m, showing an increase of 17% quarter-on-quarter and quite a notable increase of 44% year-on-year. Net demand (excluding confidential deals) in the fourth quarter was driven mainly by distribution companies, accounting for 38% of the volume, followed by manufacturing companies with 33% and logistics companies accounting for 29%. In terms of volume, net take-up in Q4 2021 was the highest volume ever recorded in the Czech industrial market exceeding the previous record volumes from last quarter.

For the entire year, gross take-up reached 2,460,000 sq m, which represented a massive increase of 62% compared to 2020 and even a 53% increase compared to 2019, a record year in terms of gross take-up. Net take-up (excluding renegotiations) for the entire 2021 doubled compared to the 2020 volumes and even saw a 46% increase compared to 2019.

MAJOR LEASES WITHIN TAKE-UP

The most prominent new transaction in Q4 2021 was a pre-lease of 60,000 sq m in CTPark Bor, signed by an undisclosed logistics company. The second-largest transaction was an expansion of 40,300 sq m in P3 Prague Horní Počernice, signed by an e-commerce company. The third-largest deal in Q4 2021 was a pre-lease of 39,500 sq m in Panattoni Park Chomutov North signed by Jungheinrich, a company specialising in handling technologies. The largest renegotiation in the fourth quarter was in P3 Prague D1, where HOPI (logistics company) signed a 46,300 sq m renegotiation with P3.

VACANCY

As of Q4 2021, the Industrial Research Forum amended all data to represent better the current vacancy situation on the market. As of the end of the year, short-term leases are no longer excluded from the vacancy rate. Until now, spaces leased on a short-term basis were counted as vacant spaces. However, with several buildings throughout the Greater Prague area dedicated to this type of leasing, IRF has abolished this practice. With this change, there has been a drop in the “vacancy rate”, mainly in the Greater Prague area. This change does not affect any leasing volumes as short-term leases are not included in them.

At the end of Q4 2021, the vacancy rate in the Czech Republic reached 1.6%, which indicates the current resiliency of the Czech industrial market, despite the ongoing health and economic crisis. In comparison, this is a considerable decrease of 36 bps compared to the previous quarter and a massive reduction of 251 bps compared to Q4 2020 levels. A total of 156,800 sq m of modern industrial premises is available for immediate occupation. The vacancy rate in the Greater Prague region reached 0.7% at the end of Q4 2021, representing a decrease compared to Q3 levels of 0.8% or 2.2% recorded in Q4 2020. If we exclude vacant offices and focus only on empty warehouse space, the rate for some regions, especially Greater Prague, is several tenths of basis points lower with 0.0% vacancy rate.

RENT

Prime headline rents oscillate around €5.10–5.20/sq m/month in the Czech regions and €6.00/sq m/month in the Greater Prague area during the fourth quarter of 2021. Some special offers in the Greater Prague area start at €7.00/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.

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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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