

Press Release

Prague, 28th April 2022

Q1 2022: The highest new supply in history, the total supply of modern industrial real estate is just under 10 million sqm

Industrial Research Forum Announces Industrial Market Figures for Q1 2022

- **Modern industrial stock in the Czech Republic surpassed 9.9 million sqm**
- **More than a third of the currently under construction premises are located in North Moravia**
- **As of the end of Q1 2022, more than 1.1 million sqm of new industrial space was under construction in the Czech Republic**
- **Net take-up this time was driven by logistics companies with a 42% share**
- **Vacancy rate rose slightly after almost two years of decline, but still remains abnormally low at 1.8%**
- **Average prime rents in Prague have risen again to EUR 6.40 per sqm per month**

TOTAL STOCK & NEW SUPPLY

The modern, developer-led warehouse stock in the Czech Republic has almost reached 10 million sqm. Given the number of projects under construction, it may surpass 11 million within a year. Approximately 307,000 sqm was newly delivered to the market in Q1 2022 within twenty industrial parks across the country. This represents a 309% increase compared to the same period last year, when the slowdown in construction activity from 2020 was most pronounced. Even quarter-on-quarter, it is a 106% increase. This is the highest result in the history of the Industrial Research Forum. Similar or even higher project completion volumes are expected in the next four quarters, although any predictions are difficult especially in the current era of shortages of construction materials and related labour.

The largest completed industrial hall is a 42,300 sqm building located in the industrial Contera Park Ostrava D1. At the time of completion, it was fully occupied. The second largest completed building is located in CTPark Cheb (34,300 sqm), the warehouse was fully leased to 3PL company DHL and bicycle manufacturer Cube Bikes at the time of completion. The third largest completed project in Q1 2022 is an extension of a building at CTPark Bor for an unspecified e-commerce company (25,400 sqm).

PROJECTS UNDER CONSTRUCTION

At the end of the first quarter of 2022, a record amount of space was under construction, a total of 1,130,000 sqm of warehouse and production space, a 2% increase compared to the previous quarter and a huge 103% increase compared to the first quarter of 2021. Approximately 23% of this space is located in the Olomouc region, another 14% in the Moravian-Silesian region and another 13% in the South Moravian region. During Q1 2022, development works commenced on a total of 270,300 sqm of industrial space. The share of speculative space under construction rose slightly to 25% during the quarter. By the end of 2022, we expect about 1 million sqm of warehouse and production space to be completed. Combined with the first quarter, this would be the largest amount delivered to the Czech market in one calendar year.

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INDUSTRIAL TAKE-UP

During Q1 2022, gross take-up, including renegotiations, reached 724,300 sqm, a 12% increase compared to the previous quarter. This is the second highest volume after the still record-breaking first quarter of 2021, compared to which gross take-up was only 5% lower. Renegotiations accounted for 47% of gross take-up, up from 30% in the previous quarter.

Net take-up in Q1 2022 totalled 384,100 sqm, showing a decrease of 15% quarter-on-quarter and quite a notable increase of 28% year-on-year. Logistics companies had the largest share of net take-up (excluding confidential deals) in the first quarter, accounting for 42% of the total, followed by manufacturing companies, which accounted for 37% of net realized demand. Distribution companies were farther behind with a 19% share of the total volume.

MAJOR LEASES WITHIN TAKE-UP

The largest new transaction in Q1 2022 was a 36,400 sqm pre-lease at Panattoni Park Pilsen West II, signed by an undisclosed production company. The second largest new transaction was a new lease at Panattoni Pilsen Park West of 30,500 sqm. The name of the tenant has not been disclosed yet, but it is a company from the logistics sector. The third largest new transaction was at Ostrava Airport Multimodal Park, where Česká Pošta pre-leased 28,000 sqm. The largest renegotiation (61,500 sqm) in the first quarter was concluded at Prologis Park Prague-Jirny industrial park, where the retail company Globus signed an extension of its existing contract with Prologis.

VACANCY

At the end of Q1 2022, the vacancy rate in the Czech Republic reached 1.8%. Compared to the previous quarter when the vacancy rate was revised to 1.3%, this is an increase of 47 basis points. This marks the end of the decline in the vacancy rate after almost two years, as indicated by a 133 basis point year-on-year decline and a 244 basis point decline in the two-year comparison. A total of 175,300 sqm of modern industrial premises is available for immediate occupation. The vacancy rate in the Greater Prague region was just 0.9% at the end of Q1 2022. If we exclude vacant office space from the vacancy rate and focus only on empty warehouse space, we find that in some regions, particularly in Greater Prague, the vacancy rate is several tens of basis points lower and is almost zero.

RENT

The prime headline rents for modern industrial and logistics properties in the Czech Republic reached €6.40 per sqm/month in the first quarter of 2022. Some special offers, especially in Prague, start at €8.00 per sq m/month. Rents for mezzanine office space stand between €9.50 - 12.50 per sqm/month. Typical service charges range between €0.65-1.00 per sqm/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.

For further information please contact any member of the Industrial Research Forum:

CBRE:
Renata Mrázová
+420 604 308 765

Colliers:
Aneta Ježková
+420 724 331 782

Cushman & Wakefield
Michaela Šedlbauerová
+420 737 419 055

JLL
Pavla Holá
+420 732 641 465

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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