

Press Release

Prague, 26th July 2022

Q2 2022: Industrial real estate area exceeded 10 million square meters

Industrial Research Forum Announces Industrial Market Figures for Q2 2022

- **The total area of Czech modern industrial space reached 10.1 million sq m**
- **Net demand broke the recent record in the history of IRF measurement – it reached 530,500 sq m**
- **The largest lease agreement in the history of IRF was signed: a pre-lease of 233,700 sq m**
- **Industrial warehouse and hall vacancy rates are declining again, standing at just under 1.5% at the end of Q2**
- **The highest achievable rents rose again throughout the Czech Republic, the most in Prague, up to EUR 7.50 per sq m per month**
- **More than 1.2 million sq m of new industrial space was under construction at the end of Q2 2022, almost 70% of this space is already pre-leased**

TOTAL STOCK & NEW SUPPLY

The total area of modern industrial space for lease in the Czech Republic increased to 10.14 million sq m in the second quarter of 2022. A total of 146,600 sq m of new warehouse space was delivered to the market within 15 industrial parks across the country. This represents a 16% increase compared to last year and a 51% q-o-q decrease. Approximately 90% of the projects were already pre-leased at the completion time.

The largest completed industrial hall has a total area of 26,800 sq m, is located in the industrial VGP Park Olomouc, and was fully occupied at the time of completion. The second largest completed building is in Contera Park Ostrava D1 (25,000 sq m) and was fully leased to the distribution company AT Computers. The third largest completed project in Q2 2022 was a hall in Ostrava Airport Multimodal Park, also fully occupied at the time of completion, by the manufacturing company ABB (13,500 sq m).

PROJECTS UNDER CONSTRUCTION

At the end of the second quarter of 2022, a record amount of space was under construction. A total of almost 1,271,000 sq m of warehouse and production space, an 11% increase compared to the previous quarter and a 93% increase compared to the second quarter of 2021. Approximately 19% of this space is located in the Olomouc region, another 16% in the Pilsen region and another 15% in the Moravian-Silesian region. Construction of halls with a total area of approximately 201,000 sq m has commenced. The share of speculative industrial space under construction rose again slightly to 33% in the second quarter of 2022. We expect about 900,000 sq m of warehouse and production space to be completed by the end of 2022. Combined with the year's first half, this would be the most significant amount delivered to the Czech market in one calendar year in IRF's history.

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INDUSTRIAL TAKE-UP

The gross take-up (including renegotiations) in the second quarter of 2022 reached 670,700 sq m, representing a 10% decrease compared to the previous quarter and an increase of 26% y-o-y. The share of renegotiations decreased by 25 percentage points compared to the last quarter and accounted for 21% of gross take-up. Year on year, the decrease was around six percentage points.

Net take-up in the second quarter of 2022 totalled 530,500 sq m, an increase of 31% compared to the previous quarter and 36% compared to the same period last year. Distribution companies, in particular, accounted for the largest share of net demand (excluding confidential contracts) in the second quarter, accounting for 60% of the total volume. This was primarily due to the largest lease transaction in IRF's history, which took place in the second quarter. This was followed by logistics companies, which accounted for 27% of net take-up. Manufacturing companies were farther behind with a 13% share of the total volume.

MAJOR LEASES WITHIN TAKE-UP

The most significant new transaction in Q2 2022 was a pre-lease at Panattoni Park Cheb of almost 233,700 sq m, signed by an undisclosed distribution company. The second largest transaction was a new lease at Prologis Park Prague-Rudná of 58,600 sq m, leased by the logistics company DB Schenker. The third largest new lease was a pre-lease at Panattoni Park Chomutov North, where the distribution company Amazon leased 14,900 sq m of space.

The largest renegotiation (27,000 sq m) in the second quarter was at Segro Logistics Park Prague, where an unnamed company signed an extension to its existing lease.

VACANCY

At the end of the second quarter of 2022, the vacancy rate reached 1.5%. This is a decrease of 17 basis points compared to the previous quarter, when the vacancy rate was revised to 1.7%. Compared to the same period last year, it decreased by 53 basis points. Overall, there is currently only 150,400 sq m of modern industrial space on the market ready for immediate occupation. The vacancy rate for industrial areas in the Greater Prague region was just 0.5% in Q2 2022 (including vacant office space and short-term leased space).

RENT

The prime headline rents for modern industrial and logistics properties in the Czech Republic reached EUR 7.25 - 7.50 per sq m/month in the second quarter of 2022. Some special offers, especially in Prague, start at EUR 8.00 per sq m/month. Rents for mezzanine office space stand between EUR 9.50 - 12.50 per sq m/month. Typical service charges range between EUR 0.65-1.00 per sq m/month.

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Industrial Research Forum

The Industrial Research Forum was established in 2010 to provide clients with consistent, accurate, transparent data about the Czech Republic's industrial real estate market. The members of the Industrial Research Forum are CBRE, Colliers, Cushman & Wakefield and JLL.

For further information, please get in touch with any member of the Industrial Research Forum:

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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. The new supply consists of the abovementioned 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. 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 space expansions within existing lease contracts.

Vacancy rate:

The ratio of physically vacant space in completed buildings to the entire warehouse and industrial space stock, 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 (generally 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 five years, with ceiling heights of over 8 metres, used primarily for distribution/warehousing uses.

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