

Q3 2022: Record-high growth and record-low vacancy as market exceeds 10.6 million sq m

Industrial Research Forum Announces Industrial Market Figures for Q3 2022

- **The amount of completed space in Q3 was the largest in recorded history, with over 500,000 sq m of new space delivered to the market, mainly in the Olomouc and Moravia-Silesia regions.**
- **The largest project was finished in the Olomouc region – a new distribution centre for Amazon.**
- **Industrial space under construction currently accounts for almost 1.2 million sq m.**
- **The decreasing vacancy rate continued in Q3, leaving the Czech Republic with just 1% of vacant industrial stock, yet again the lowest vacancy rate on record.**
- **The highest achievable rent in Prague has stayed at €7.25 - €7.50 per sq m per month.**

TOTAL STOCK & NEW SUPPLY

The total area of modern industrial space for lease in the Czech Republic increased to 10.65 million sq m in the third quarter of 2022. A total of 511,100 sq m of new warehouse space was delivered to the market within 18 industrial parks across the country. This represents an astonishing 244% increase compared to the same period of last year and a 249% q-o-q increase. At the time of completion, approximately 95% of the projects were already pre-leased.

The most significant completion was a 186,700 sq m hall located in Panattoni Park Kojetín in the Olomouc Region. The hall began construction a year ago when it was entirely pre-leased as a distribution centre to e-commerce giant, Amazon, the second-largest completed building of 60,000 sq m, was located in CTPark Bor, leased to an undisclosed tenant from the logistics sector. The third largest completion was in Ostrava Airport Multimodal Park (34,000 sq m), a hall leased to two tenants, Česká Pošta and Geis.

PROJECTS UNDER CONSTRUCTION

At the end of the third quarter of 2022, over 1,159,800 sq m of industrial space was under construction, decreasing by 10% compared to the previous quarter. 27% of this space is located in the Karlovy Vary region, 13% in the South-Moravia region, and 12% in the Pilsen region. Developers commenced construction of 361,900 sq m during Q3 2022, aided by the commencement of a 233,700 sq m single hall in Panattoni Park Cheb, under the largest lease of H1 2022 in the Karlovy Vary region. The share of speculative space under construction slightly increased to 34.5% in the third quarter. We expect about 340,000 sq m of warehouse and production space to still be completed by the end of 2022. Combined with the first half of the year, this would be the most significant amount of space delivered to the Czech market in one calendar year in IRF's history. At the end of the year, the market will be nearing the 11 million sq m milestone.

INDUSTRIAL TAKE-UP

Gross take-up (including renegotiations) totalled 482,400 sq m in the third quarter of 2022, representing a 26% decrease compared to the previous quarter. In a year-on-year comparison, we register a slight decrease of 6% in total take-up during Q3. Compared to the previous quarter, the share of renegotiations increased by 5 percentage points to 27%, with a year-on-year increase of 11 percentage points.

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Net take-up in Q3 2022 reached 354,100 sq m, so far the lowest quarterly result this year and the lowest quarterly result since Q1 2021. The figure represents a decrease of 31% compared with last quarter, and an 18% decrease compared to the same period in 2021. However, it is worth mentioning that the strong result of Q2 2022 was driven by a single deal over 233,700 sq m and therefore the net take-up results in Q3 do not deviate as significantly from H1 results. Besides confidential transactions, net demand was driven mainly by third-party logistics companies, which accounted for 32% of the volume, followed by producers (24%) and distribution (18%).

MAJOR LEASES WITHIN TAKE-UP

The two largest new leases were concluded by logistics companies. The largest new transaction in Q3 2022 was a 31,400 sq m pre-lease at GLP Park Brno Holubice, by Fast ČR. The second largest was a new lease at Panattoni Park Pilsen West of 31,400 sq m, by DHL Supply Chain. Only the third largest new transaction fell outside of the logistics sector, when optical retailer Fielmann pre-leased 29,100 sq m at Garbe Park Chomutov. The largest renegotiation (36,600 sq m) in the third quarter was concluded at CTPark Hranice, with an undisclosed tenant from the automotive sector.

VACANCY

In the third quarter of 2022, the vacancy rate decreased again, to just 1%. This represents a decrease of 50 basis points compared to the previous quarter and a fall of 43 basis points compared to the same period of last year. At the end of the third quarter of 2022, a total of 105,900 sq m of modern industrial space was available on the market for immediate lease. The vacancy in industrial warehouse space in the Greater Prague region is even more constrained than the national rate, resting at close to 0% since Q2 2021.

RENT

Prime headline rents have stayed at the level of around €7.25 - €7.50 sq m/month in the Czech Republic in Q3 2022. Some special offers, especially in Prague, start at €8.50 per sq m/month. Selected prime locations outside of Prague have now seen their prime rents grow at a faster pace than ever before and are way above €6.00 sq m/month. Rents for mezzanine office space stand between €9.50 - €12.5 sq m/month. Service charges are typically around €0.65–1.00 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, 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). "Selected prime locations" represent largest markets outside of Prague, such as Brno and Pilsen. 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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