

Press Release

Prague, 23rd January 2023

Q4 2022: Extremely low occupancy of around 1% persists, the share of speculative construction has grown to 40%.

Industrial Research Forum Announces Industrial Market Figures for Q4 2022

- **Modern industrial stock in the Czech Republic nearly reached 10.8 million sq m**
- **Over half of the space currently under construction is in the Karlovy Vary, Pilsen and South Moravia regions**
- **Out of 1,200,000 sq m currently under construction 60% is already pre-leased**
- **The vacancy rate increased 26 basis points compared to the previous quarter however still represents 10 basis points decrease compared to Q4 2021.**
- **Prague's average highest achievable rent has again increased to the new level of €7.65 per sq m per month**

TOTAL STOCK & NEW SUPPLY

The modern, developer-led warehouse stock in the Czech Republic reached almost 10.8 million sq m, and we expect that by the end of Q1 2023, it will surpass 11 million sq m. Approximately 167,300 sq m was newly delivered to the market in Q4 2022 within twelve industrial parks across the country. This figure represents a 66% decrease compared to the previous quarter. There are 2 major reasons for that, firstly several projects which were expected to be completed in 2022 were delayed to the following year and secondly last quarter we saw the completion of Amazons 187,000 sq m distribution centre, which affected these figures further. Compared to the same period of the previous year, this is however still an increase of 10%. More than 1,100,000 sq m of new industrial space was delivered in 2022, which represents an increase of 121% compared to 2021. And it is the highest amount of space ever to be delivered to the market within a single year.

The most significant completion in Q4 2022 was in VGP Park Olomouc (39,200 sq m), which was at the time of completion fully leased to a logistics company. The second-largest completion was in D2 Logistics (22,000 sq m), which was fully leased to a company from the automotive sector.

The largest completion in 2022 was the completion of Amazons new 187,000 sq m distribution centre in the Olomouc region near Kojetín.

PROJECTS UNDER CONSTRUCTION

At the end of Q4 2022, the total space under construction in the Czech Republic amounted to level of 1,219,000 sq m, representing an increase of 4% compared to the previous quarter and ca. 7% increase compared to the same period last year. Around 26% of that space is situated in the Karlovy Vary region, followed by Pilsen region with 15% and 12% in the South Moravia region. During Q4 2022, development works commenced on a total of 213,200 sq m of industrial space. The share of speculative space under construction increased to 40% during the quarter. In 2023, the overall new supply is expected to exceed 1.0m sq m, with this, there is a possibility that by the end of 2023 the stock in the Czech Republic might exceed 12m sqm.

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INDUSTRIAL TAKE-UP

During Q4 2022, gross take-up, including renegotiations, reached 354,000 sq m. This represents a decrease of 27% compared to Q3 2022 figures and a 45% decrease compared to Q4 2021. During Q4 2022, the share of renegotiations accounted for 35%, an increase compared to the previous quarter (27%).

Net take-up in Q4 2022 totalled 231,300 sq m, showing a decrease of 35% quarter-on-quarter and quite a notable decrease of 48% year-on-year. Net demand (excluding confidential/undisclosed deals) in the fourth quarter was driven mainly by manufacturing companies, accounting for 59% of the volume, followed by logistics companies with 31% and distribution companies accounting for 10%. In terms of volume, net take-up in Q4 2022 was the lowest volume recorded on the Czech industrial market since Q3 2020 when take-up volumes reached 165,600 sq m.

For the entire year, gross take-up reached 2,209,700 sq m, which represented a decrease of 10% compared to 2021 and an increase of 45% compared to 2020.

MAJOR LEASES WITHIN TAKE-UP

The most prominent new transaction in Q4 2022 was a new lease of 17,000 sq m in Industrial Park Rosice, signed by an undisclosed company. The second-largest transaction was pre-lease of 10,500 sq m in Garbe České Budějovice, signed by Taconova Production. The third-largest deal in Q4 2022 was a pre-lease of 10,200 sq m in VGP Park Ustí nad Labem signed by an undisclosed company from the Automotive sector. The largest renegotiation in the fourth quarter was in P3 Lovosice, where FM Logistics signed a 60,600 sq m renegotiation with P3. In addition, there were several even larger new transactions on the market throughout the quarter, however for confidentiality reasons we cannot disclose any details of these transactions.

VACANCY

At the end of Q4 2022, the vacancy rate in the Czech Republic reached 1.18%, which indicates the current resiliency of the Czech industrial market, despite the ongoing crisis. In comparison, this is a small increase of 26 bps compared to the previous quarter and even smaller reduction of 10 bps compared to Q4 2021 levels. A total of 127,100 sq m of modern industrial premises is available for immediate occupation. 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 increased to the level of around €7.50 - €7.90 sq m/month in the Czech Republic in Q4 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 around €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 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. Selected prime locations outside of Prague includes the 3 major hubs (Pilsen, Brno and Ostrava)

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