

Press Release

Prague, 25th April 2023

Q1 2023: The vacancy rate remains low while the total modern industrial stock reached 11 million sq m mark

Industrial Research Forum Announces Industrial Market Figures for Q1 2023

- **Modern industrial stock in the Czech Republic reached 11 million sq m**
- **More than half of the space currently under construction is concentrated in the Karlovy Vary, Pilsen and South Moravia regions**
- **Out of almost 1.3 million sq m of industrial space under construction 68% is already pre-leased**
- **The vacancy rate increased by 43 basis points compared to the previous quarter however still remains 23 basis points lower year-on-year**
- **Prague's average highest achievable rent slightly increased to the new level of €7.80 per sq m per month**

COMMENTARY

Robert Sgariboldi, Director in the Industrial Leasing Department at JLL, comments:

“On the one hand, high rents are good news for property owners and investors, but on the other hand it can be a problem for new foreign investors as well as for existing tenants renewing their leases during the period. Especially in Prague and its surroundings, tenants often face almost a 100% increase compared to their initial lease terms, and negotiations are often very long and complicated. The good news for the market is the renewed willingness of developers for speculative construction even in regional markets such as Pilsen, Brno or Ostrava, so tenants can still find new projects at competitive prices compared to other markets in the neighbourhood of the Czech Republic.”

TOTAL STOCK & NEW SUPPLY

The modern, developer-led warehouse stock in the Czech Republic reached 11 million sq m in the first quarter of 2023. Approximately 217,900 sq m was newly delivered to the market in Q1 2023 within 18 industrial parks across the country. This figure represents a 25% increase compared to the previous quarter. Compared to the same period last year, it shows a decrease of 26%. At the time of completion, approximately 83% of the projects were already pre-leased.

The most significant completion in Q1 2023 was a new building in Panattoni Park Cheb South (42,500 sq m), which was at the time of completion fully leased to an e-commerce company Autodoc and another undisclosed tenant. The second-largest completed project of 39,500 sq m, was in Panattoni Park Chomutov North, which was fully leased to a distribution company Jungheinrich. The third largest completion was in CTPark Ostrava Poruba (21,900 sq m), a building almost fully leased by multiple tenants.

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PROJECTS UNDER CONSTRUCTION

At the end of Q1 2023, approximately 1,287,400 sq m of industrial space was under construction in the Czech Republic, representing an increase of 5% compared to the previous quarter and a 9% increase compared to the same period last year. Almost 25% of the total space under construction is situated in the Karlovy Vary region, followed by the Pilsen region with a 17% share and the South Moravia region with a 16% share. During Q1 2023, development works commenced on a total of 171,500 sq m of industrial space. The share of speculative space under construction was 32% during the quarter. By the end of 2023, we expect about 900,000 sq m of new industrial space to be completed, with this, there is a possibility that by the end of 2023 the stock in the Czech Republic might come close to the 12 million sq m mark.

INDUSTRIAL TAKE-UP

During Q1 2023, gross take-up, including renegotiations, reached 344,400 sq m. This represents a marginal increase of 1% compared to Q4 2022 figures and a 52% decrease compared to Q4 2021. The share of renegotiations decreased by 15 percentage points compared to the last quarter and accounted for 21% of gross take-up.

Net take-up in Q1 2023 totalled 272,900 sq m, showing an increase of 24% quarter-on-quarter and a decrease of 25% year-on-year.

MAJOR LEASES WITHIN TAKE-UP

The largest new transaction in Q1 2023 was a pre-lease of 52,600 sq m in CTPark Blučina, signed by Inventec. The second-largest transaction was pre-lease of 26,500 sq m in CBPI Business Park, signed by UCT Fluid Delivery Solutions. The third-largest deal was a pre-lease of 24,700 sq m in Panattoni Park Pilsen West II signed by Panasonic. The largest renegotiation (14,100 sq m) in the first quarter was concluded by an undisclosed retail company in Prologis Park Prague-Úžice.

VACANCY

At the end of Q1 2023, the vacancy rate in the Czech Republic reached 1.4% representing an increase of 43 basis points q-o-q. However, compared to Q1 2022 the vacancy rate is still lower by 23 bps. A total of 150,000 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 €7.70 - €7.90 sq m/month in the Czech Republic in Q1 2023. 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 reached the level of around €5.75 - €6.50 sq m/month. Rents for mezzanine office space stand between €9.50 - €12.50 sq m/month. Service charges are typically around €0.75–1.00 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 and sub-leases. 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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