

Press Release

Prague, 25th July 2023

Q2 2023: Record-high amount of industrial space under construction, with over 60% pre-leased

Industrial Research Forum Announces Industrial Market Figures for Q2 2023

- With over 286,000 sq m of new space delivered to the market in Q2 2023, the modern industrial stock reached almost 11.3 million sq m
- Construction of ca 397,700 sq m commenced, an increase of 138% q-o-q and 75% y-o-y
- Speculatively built industrial space amounted to 39% of the over 1.3 million sq m currently under construction, this number corresponding with the trend of the last few quarters
- Renegotiations accounted for 52% of gross take-up
- The vacancy rate increased by 42 basis points compared to the previous quarter, albeit remaining low at 1.7%
- Prague's average highest achievable rent has slightly decreased, reaching around €7.50-7.80 per sq m per month

COMMENTARY

Jiří Kristek, Head of the Industrial and Retail Warehousing Team, Cushman & Wakefield:

"The Industrial market is still one with low vacancy – however, this is slowly changing and since Q3 2022, we've been witnessing constant growth, up to the current 1.70%. This indicates the sentiment prevailing on the market where we can spot speculative construction as well as record-high amount of premises under construction (1.3 million sq m). Take-up is driven mainly by renegotiations which create more than half of its volume. A major question is the level of prime market rent which is now relatively stable but some signs of a potential change can be seen, especially from low margin operating tenants. When renegotiating, they face massive rental growth, and therefore are (where applicable) willing to consider relocation to locations with more favourable conditions."

TOTAL STOCK & NEW SUPPLY

The modern developer-led warehouse stock in the Czech Republic reached 11.29 million sq m in the second quarter of 2023. A total of 286,600 sq m of new warehouse space was delivered to the market within 19 industrial parks across the country. This represents a 95% increase compared to last year and a 32% q-o-q increase. Approximately 83% of the projects were already pre-leased at the time of completion.

The largest completion in Q2 2023 was a new building in Panattoni Park Pilsen West II (36,400 sq m), which was at the time of completion fully leased to the automotive company Shape Corp. The second-largest completed building was located in CTPark Brno Líšeň (34,000 sq m) and was fully leased by multiple tenants. The third largest completion, a building of 21,300 sq m in Prologis Park D1 Ostreděk, remained fully vacant upon completion.

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PROJECTS UNDER CONSTRUCTION

At the end of Q2 2023, approximately 1,340,300 sq m of industrial space was under construction in the Czech Republic, representing an increase of 9% compared to the previous quarter and a 4% 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 14% share and the South Moravia region with a 12% share.

In Q2 2023, construction of industrial buildings with a total area of approximately 397,700 sq m commenced. The share of speculative construction rose again slightly to 39% during the quarter. We expect over 600,000 sq m of warehouse and production space to be completed by the end of 2023, bringing the industrial stock in Czech Republic closer to the 12 million sq m threshold.

INDUSTRIAL TAKE-UP

During Q2 2023, gross take-up, including renegotiations, reached 597,000 sq m. This represents an increase of 73% compared to Q1 2023 figures and a 10% decrease compared to Q2 2022. The share of renegotiations increased by 31 percentage points compared to the last quarter and accounted for 52% of gross take-up. This was greatly affected by the largest deal of the second quarter, a renegotiation of 136,900 sq m.

Net take-up in the second quarter of 2023 totalled 278,800 sq m, an increase of 2% quarter-on-quarter and a decrease of 47% year-on-year. Pre-leases accounted for 34% of gross take-up, keeping below the 3-year average.

MAJOR LEASES WITHIN TAKE-UP

The largest transaction in Q2 2023 was a renegotiation of 136,900 sq m in Prologis Park Prague – Jirny, signed by an undisclosed logistics company. The second-largest transaction was a pre-lease of 57,200 sq m signed by an automotive manufacturing company in Panattoni Park Ostrov – North. The third-largest deal was a renegotiation of 53,300 sq m in CTPark Bor, signed by a company distributing electronics.

VACANCY

In the second quarter of 2023, the vacancy rate in the Czech Republic reached 1.7%, representing an increase of 42 basis points q-o-q and an increase of 43 basis points y-o-y. At the end of Q2 2023, a total of 192,400 sq m of modern industrial space was available on the market for immediate lease. The vacancy in industrial warehouse space in the Prague region and the surrounding area is even more constrained than the national rate, resting at close to 0% since Q2 2021.

RENT

Prime headline rents in the Czech Republic decreased slightly, reaching around €7.50-7.80 sq m/month in Q2 2023. Prime rents in selected prime locations outside of Prague have stabilized, reaching a 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, Cushman & Wakefield and iO Partners, share non-sensitive information and believe the establishment of the Industrial Research Forum will enhance transparency on the Czech industrial market.

JLL has entered into a partnership agreement with iO Partners in the Czech Republic, as of July 1st 2023. iO Partners guarantees seamless continuity in the real estate business with its esteemed status as a JLL preferred partner in the CEE region.

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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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