

## Press Release

Prague, 25th April 2024

# Q1 2024: The vacancy rate slightly increased as slowing demand pressures the market

*Industrial Research Forum Announces Industrial Market Figures for Q1 2024*

- **Modern industrial stock in the Czech Republic reached 11.87 million sq m**
- **Demand for industrial space slowed down in Q1 2024 with gross take-up reaching only 160,400 sq m**
- **At the end of Q1 2024, almost 0.92 million sq m of new industrial space was under construction**
- **The vacancy rate increased by 28 basis points compared to the previous quarter, and reached 2.0%**
- **Prague's average highest achievable rent remained stable, reaching around €7.50-7.70 per sq m per month**

## COMMENTARY

Robert Sgariboldi, Head of Industrial Agency at iO Partners, comments:

*"Despite slowly increasing vacancy rates and low take-up volumes in Q1 2024 the rent levels in prime markets still seem to be resilient and correction to pre-Covid levels is not evident. The first signals of more competitive rents are on the market, but so far in specific business cases in areas with overall weak demand. The main drivers behind high rents are mostly connected to high interest rates and yield expectations. Going forward we expect vacancy to steadily increase, and should the demand does not strengthen in the remainder of 2024 we can expect a slight adjustment in occupancy costs, but not likely to be anything significant."*

## TOTAL STOCK & NEW SUPPLY

The modern, developer-led warehouse stock in the Czech Republic reached 11.87 million sq m in the first quarter of 2024. Approximately 148,100 sq m was delivered to the market within 10 industrial parks across the country. This represents a 32% decrease compared to the same period last year and a decrease of 48% q-o-q. At the time of completion, approximately 89% of the projects were already pre-leased.

The largest completion in Q1 2024 was a new building in Panattoni Park Cheb East (60,600 sq m), which was at the time of completion fully leased to an undisclosed production company. The second-largest completed project was an extension of Contera Park Ostrava D1 (21,600 sq m), which was partially leased to a retail company Sportisimo. The third largest completed project was in CTPark Ostrava Poruba (11,300 sq m), leased to a pharmaceutical distributor ViaPharma.

## PROJECTS UNDER CONSTRUCTION

At the end of Q1 2024, approximately 918,100 sq m of industrial space was under construction in the Czech Republic, representing a decrease of 3% compared to the previous quarter and a decrease of 26% compared to the same period

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last year. Almost 35% of the total space under construction is situated in the Karlovy Vary region, followed Prague & Central Bohemia with an 18% share and the Pilsen region with an 11% share.

The share of speculative space under construction decreased to 25%. At the same time, developers commenced new construction of 138,100 sq m of modern industrial space in Q1 2024, with almost 39% of this space speculative.

## INDUSTRIAL TAKE-UP

During Q1 2024, gross take-up, including renegotiations, reached 160,400 sq m. This represents a significant decrease of 62% compared to the previous quarter and a 53% decrease compared to Q1 2023. The share of renegotiations decreased by 3 percentage points compared to the last quarter, however still accounted for the largest share of gross take-up (36%).

Net take-up in Q1 2024 totalled 100,000 sq m, showing a major decrease of 60% quarter-on-quarter and a decrease of 63% year-on-year. Compared to the 5-year quarterly average, this result is 65% below.

## MAJOR LEASES WITHIN TAKE-UP

The largest new transaction in Q1 2024 was a pre-lease of 29,500 sq m in Garbe Park České Budějovice, signed by an undisclosed automotive producer. The second-largest new transaction was a new lease of 11,800 sq m in Prologis Park Pilsen-Štěnovice, signed by an undisclosed logistics company. The third-largest new deal was a pre-lease of 8,400 sq m in CTPark Prague North signed by logistics company Fulfillment. The largest renegotiation (12,400 sq m) in the first quarter was concluded by CzechPak Manufacturing in CTPark Teplice.

## VACANCY

At the end of Q1 2024, the vacancy rate in the Czech Republic reached 2.0% representing an increase of 28 basis points q-o-q. Compared to Q1 2023, the vacancy rate increased by 79 bps. A total of 241,000 sq m of modern industrial premises is available for immediate occupation. This is the highest volume of vacant space on the market since Q1 2021 when nearly 270,000 sq m was available for immediate occupation. The vacancy in modern industrial space in Prague & Central Bohemia is lower than the national rate, reaching 1.5% at the end of Q1 2024.

## RENT

Prime headline rents remained stable at the level of around €7.50 - €7.70 sq m/month in the Czech Republic in Q1 2024. Selected prime locations outside of Prague follow a similar development, achieving around €5.70-6.60 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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