

Press Release

Prague, 22nd October 2024

Q3 2024: Space under construction is significantly larger than new supply so far in 2024

Industrial Research Forum Announces Industrial Market Figures for Q3 2024

- The total amount of industrial space reached 12.2 million sq m of that 163,500 sq m were delivered in Q3 2024
- Speculative development is once again increasing, of the 1 million sq m currently under construction 36% is being built speculatively
- Net take-up for industrial space reached 203,100 sq m
- The vacancy rate increased by 33 basis points compared to the previous quarter, reaching 3.1%
- Prague's average highest achievable rent stayed stable, reaching around €7.00-7.50 per sq m per month

COMMENTARY

Miroslav Kotek, Head of Industrial Agency, Colliers International:

"Despite the large amount of space under construction, the vacancy rate on the Czech industrial real estate market remains low compared to neighbouring countries. Even after the increase in the volume of speculative construction, new vacancies are only slowly coming onto the market. The strategy of landlords is still to preserve new buildings at an advanced stage of construction, while waiting for new clients' interest. This year we also see large cooling of realized demand caused by prolonged client decision-making processes and global uncertainty. With prices slowly falling in the Czech market and a lack of available space to accelerate the price decline, many clients are considering cheaper alternatives in neighbouring markets."

TOTAL STOCK & NEW SUPPLY

The modern, developer-led warehouse stock in the Czech Republic reached almost 12.2 million sq m in the third quarter of 2024. Approximately 163,500 sq m were delivered to the market within 9 industrial parks across the country. This represents an 11% decrease compared to the same period last year and an increase of 64% quarter-on-quarter. At the time of completion, approximately 76% of the projects were already pre-leased.

The largest completion in Q3 2024 was a new building in CTPark Blučina (52,600 sq m), which was at the time of completion fully leased to an electronics producer Inventec. The second-largest completed project was a building in Panattoni Park Kladno South (21,000 sq m), which was fully leased to an automotive producer Hanon Systems. The third largest completed project was in P3 Lovosice park (16,800 sq m), which was not leased at the time of writing.

PROJECTS UNDER CONSTRUCTION

At the end of Q3 2024, approximately 1,045,000 sq m of industrial space was under construction in the Czech Republic, representing an increase of 5% compared to the previous quarter and a decrease of 26% compared to the same period

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last year. Almost 33% of the total space under construction is situated in the Karlovy Vary region, followed by Prague & Central Bohemia region with a 19% share and Moravia-Silesia region with a 17% share.

The share of speculative space under construction increased to 36%. At the same time, developers commenced new construction of 204,900 sq m of modern industrial space in Q3 2024, with 53% of this space speculative.

INDUSTRIAL TAKE-UP

During Q3 2024, gross take-up, including renegotiations, reached 335,100 sq m. This represents a decrease of 28% compared to the previous quarter and a significant 61% increase compared to Q3 2023. The share of renegotiations decreased by 4 percentage points compared to the last quarter, accounting for the second largest share of gross take-up (37%).

Net take-up in Q3 2024 totalled 203,100 sq m, showing a decrease of 35% quarter-on-quarter and an increase of 35% year-on-year. Pre-leases accounted for the largest share of gross total, reaching 49%.

The three largest transactions of Q3 2024 were pre-leases. ThermoFisher Scientific pre-leased 54,000 sq m in DMC Park Brno followed by a pre-lease of 39,500 sq m by an undisclosed automotive producer in CTPark Žatec. Third largest transaction was 29,300 sq m by an undisclosed distribution company in CTPark Blatnice.

VACANCY

At the end of Q3 2024, the vacancy rate in the Czech Republic reached 3.1%, representing an increase of 33 basis points quarter-on-quarter. Compared to Q3 2023, the vacancy rate increased by 169 bps. A total of 377,900 sq m of modern industrial premises is available for immediate occupation. This is the highest volume of vacant space on the market in 5 years. The vacancy in modern industrial space in Prague & Central Bohemia is lower than the national rate, reaching 2.2% at the end of Q3 2024.

RENT

Prime headline rents stayed stable at the level of around €7.00 - €7.50 sq m/month in the Czech Republic in Q3 2024. Selected prime locations outside of Prague remained stable, achieving around €5.70-6.60 sq m/month. Rents for in-built 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.

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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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