

Press Release

Prague, 22nd July 2024

Q2 2024: With over 117,000 sq m completed, the modern industrial stock reached the milestone of 12 million sq m

Industrial Research Forum Announces Industrial Market Figures for Q2 2024

- The total amount of projects currently under construction increased to 969,800 sq m at the end of Q2 2024, out of which around 32% was already pre-leased
- Construction of 209,700 sq m commenced in Q2 2024, with 57% of that total located in Moravia-Silesia region
- Demand for industrial space picked up this quarter, reaching 462,900 sq m, an increase of 191% compared to the previous quarter
- The vacancy rate increased by 88 basis points compared to the previous quarter, reaching 2.9%
- Prague's average highest achievable rent decreased slightly, reaching around €7.00-7.50 per sq m per month

COMMENTARY

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

"In second quarter of 2024 the Czech industrial market reached 12 mil. sq m. However, we are also witnessing a gradual increase of vacancy, now at almost 3%. It's good news for occupiers as in some regions or locations there might be chance to negotiate (or renegotiate) more favorable lease terms with landlords. The prime rental rates in Greater Prague have widened and now span between €7.00-7.50 per square meter per month, while remaining stable in other Czech regions. Net take-up risen, on Q/Q and on Y/Y basis, the activity of tenants improved so it is expected that the whole property market could stabilize and bring more certainty for all parties."

TOTAL STOCK & NEW SUPPLY

The modern, developer-led warehouse stock in the Czech Republic reached 12.02 million sq m in the second quarter of 2024. Approximately 117,500 sq m were delivered to the market within 11 industrial parks across the country. This represents a 53% decrease compared to the same period last year and a decrease of 21% q-o-q. At the time of completion, approximately 57% of the projects were already pre-leased.

The largest completion in Q2 2024 was a part of a new building in CTPark Žatec (18,700 sq m), which was at the time of completion fully leased to a logistics company Fiege. The second-largest completed project was a building in SmartZone Mikulov (16,000 sq m), which was partially leased to an undisclosed company. The third largest completed project was in CTPark Pohořelice (11,800 sq m), fully leased to multiple undisclosed tenants.

PROJECTS UNDER CONSTRUCTION

At the end of Q2 2024, approximately 969,800 sq m of industrial space was under construction in the Czech Republic, representing an increase of 9% compared to the previous quarter and a decrease of 30% compared to the same period

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last year. Almost 36% of the total space under construction is situated in the Karlovy Vary region, followed by Moravia-Silesia region with a 20% share and Prague & Central Bohemia with a 17% share.

The share of speculative space under construction increased to 32%. At the same time, developers commenced new construction of 209,700 sq m of modern industrial space in Q2 2024, with 73% of this space speculative.

INDUSTRIAL TAKE-UP

During Q2 2024, gross take-up, including renegotiations, reached 462,900 sq m. This represents a significant increase of 191% compared to the previous quarter and a 22% decrease compared to Q2 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 (33%).

Net take-up in Q2 2024 totalled 311,800 sq m, showing a major increase of 216% quarter-on-quarter and an increase of 15% year-on-year. Pre-leases accounted for the largest share of gross total, reaching 45%.

The Industrial Research Forum will not share the list of major leases within take-up this quarter, due to the large amount of confidential information.

VACANCY

At the end of Q2 2024, the vacancy rate in the Czech Republic reached 2.9%, representing an increase of 88 basis points q-o-q. Compared to Q2 2023, the vacancy rate increased by 129 bps. A total of 351,400 sq m of modern industrial premises is available for immediate occupation. This is the highest volume of vacant space on the market since Q4 2020 when over 326,000 sq m was available for immediate occupation. The vacancy in modern industrial space in Prague & Central Bohemia is lower than the national rate, reaching 2.3% at the end of Q2 2024.

RENT

Prime headline rents decreased slightly at the level of around €7.00-7.50 sq m/month in the Czech Republic in Q2 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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