

Industrial Market Czech Republic

Q2 2023



TOTAL STOCK

11.4 m sq m



NEW SUPPLY Q2 2023

240,100 sq m



UNDER CONSTRUCTION

1.4 m sq m



VACANCY RATE

1.8%

Industrial Market Overview – Q2 2023



„The vacancy rate increased due to the newly completed and yet unrented premises and also the drop in demand from e-commerce.

Unutilised areas are being offered for sublease under flexible business terms. Successful projects will be those prepared in requested time and quality especially reflecting the sustainable conditions using natural source of energy like heat pumps or actual possibility to use the solar panels electricity. Out of total volume of warehouse space enquiries in Q2 2023 there were 60% coming from industrial companies.

Rent frame widened and stabilised between €5.20 – 7.75 sq m/month within the whole Czech region.”

MARKÉTA VRBASOVÁ

DIRECTOR, HEAD OF INDUSTRIAL & LOGISTICS

In Q2 2023, the total lettable modern warehouse and industrial area exceeded 11,4 million sq m.

240,000 sq m were newly completed, the most in the Plzeň Region (27%) and Central Bohemian Region (26%).

1.4 million sq m were under construction, up 10% year-on-year.

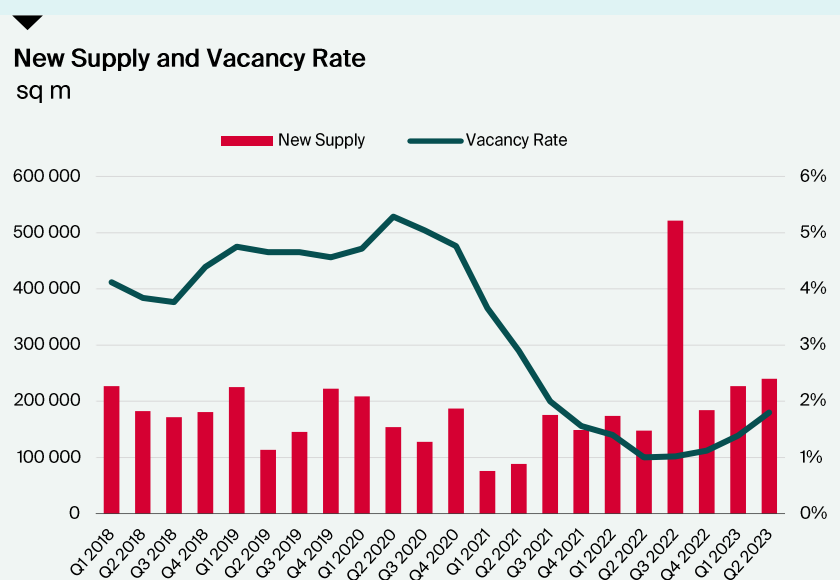
In Q2 2023, the vacancy rate increased and reached 1.8%. Newly completed premises contributed to the increase in vacancy. The vacancy rate in the Greater Prague area remained at a very low level of 0.7%.

The prime headline rent for warehouse and industrial premises stayed at €6.50 - 7.50 sq m/month.

Gross take-up reached a total volume of 587,000 sq m, 53% of which were renegotiations.

1.8%

The vacancy rate increased to 1.8% in Q2 2023.



11,400,000 sq m

In Q2 2023, the total lettable modern warehouse and industrial area reached 11.40 million sq m.

INDUSTRIAL MARKET OVERVIEW

- ✓ In Q2 2023, the total lettable modern warehouse and industrial stock reached 11.40 million sq m. The Greater Prague area represented 31% of the total supply and thus remained the largest logistics market, followed by the Plzeň Region with 15%, South Moravian Region with 12%, Moravian-Silesian Region with 10% and the Central Bohemian Region with 8%.
- ✓ In Q2 2023, a total area of 240,100 sq m was newly completed, which was 6% more than in the previous quarter. Compared to the same period last year, this was 57% more. A total of 24 halls in 19 industrial parks were delivered to the market. The most spaces were completed in the Plzeň Region (27%) and the Central Bohemian Region (26%). This was followed by the Ústí nad Labem Region with 13% and the Karlovy Vary Region with 9%.
- ✓ The largest project completed was the 36,500 sq m hall in Panattoni Pilsen Park West II leased to Shape Corp. This was followed by a 21,300 sq m hall in Prologis Park Prague D1 Ostředek, which remained unoccupied at the time of completion, as well as another completed hall in this park, which offers an additional 12,600 sq m.
- ✓ In Q2 2023, 1.4 million sq m of modern warehouse and industrial space was under construction. Compared to the same period of last year, there was a 10% increase. Most of the space under construction (22%) was located in the Karlovy Vary Region, followed by South Moravian Region with 15%, Plzeň Region with 14%, Ústí nad Labem Region with 12% and Moravian-Silesian Region with 11%.
- ✓ In Q2 2023, the vacancy rate increased for the third consecutive quarter to 1.8%, up from 1.4% in the previous quarter. However, the vacancy rate in the Greater Prague area remained at a very low level of 0.7%. Newly completed premises, where we recorded 25% vacancy, contributed to the increase in vacancy rate. Due to this fact, the largest quarter-on-quarter increases in the vacancy rate were recorded in the Central Bohemian Region (plus 3.7 percentage points) and the Karlovy Vary Region (plus 2.9 percentage points) A more significant decrease in vacancy (minus 1.3 percentage points) was recorded only in the Plzeň Region. In the other regions, the vacancy rate remained unchanged or increased by an average of 1.0 percentage point.

Industrial Market Overview – Q2 2023

RENTS

In Q2 2023, the prime headline rent for warehouse and industrial premises stayed at €6.50 - 7.50 sqm/month.

In Q2 2023, the average current rent increased quarter-on-quarter only in Central Bohemian Region (4%) and Hradec Králové / Pardubice Regions (3%). There was a rent adjustment for some projects that were speculatively built and not yet leased at the completion date. Thanks to them, we have a wider range of asking rents in some regions.



Prime Headline Rent

€6.50 – 7.50 sq m/month

INVESTMENT

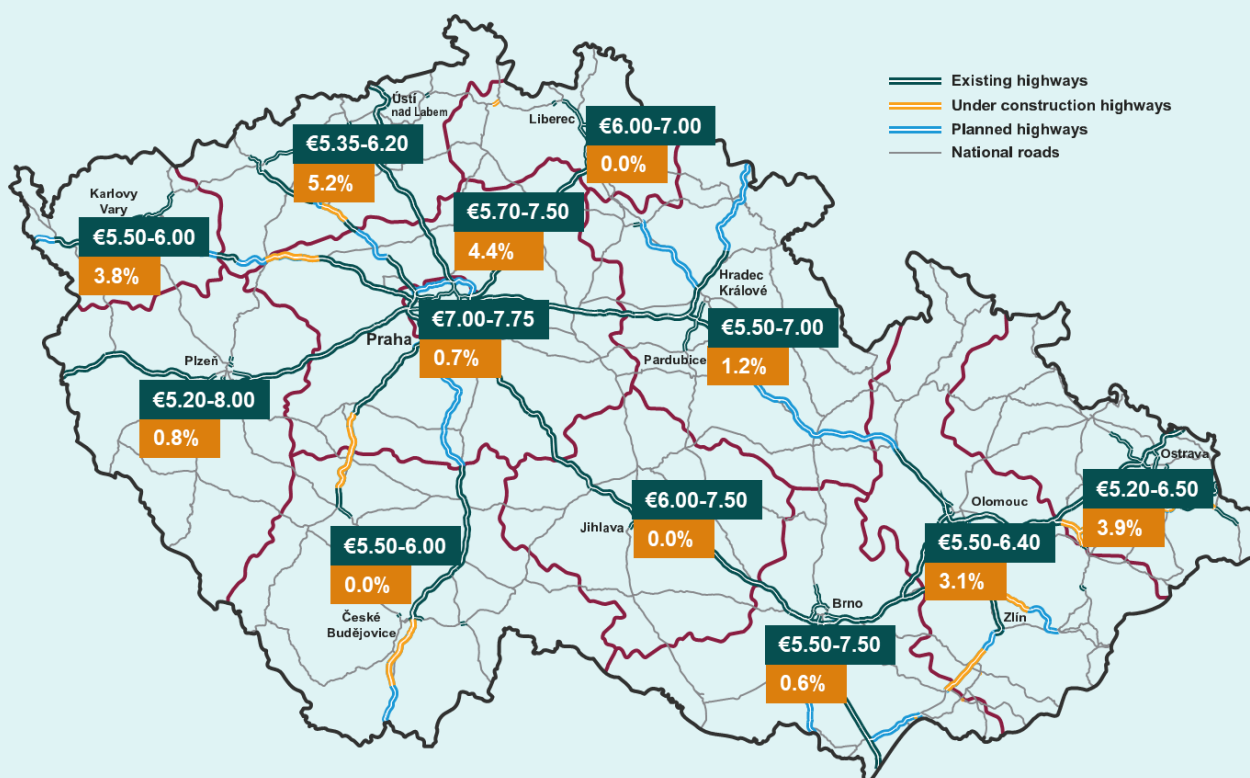
Compared to the previous quarter, the prime industrial yield stayed unchanged. However, the current cost of financing suggests that the yields will have to continue moving out in order to attract potential investors.



Prime Industrial Yield

5.00%

VACANCY RATE AND CURRENT RENT*



*Rent / price range offered on the market in class A premises for an area of 4,000 - 5,000 sq m in Q2 2023.

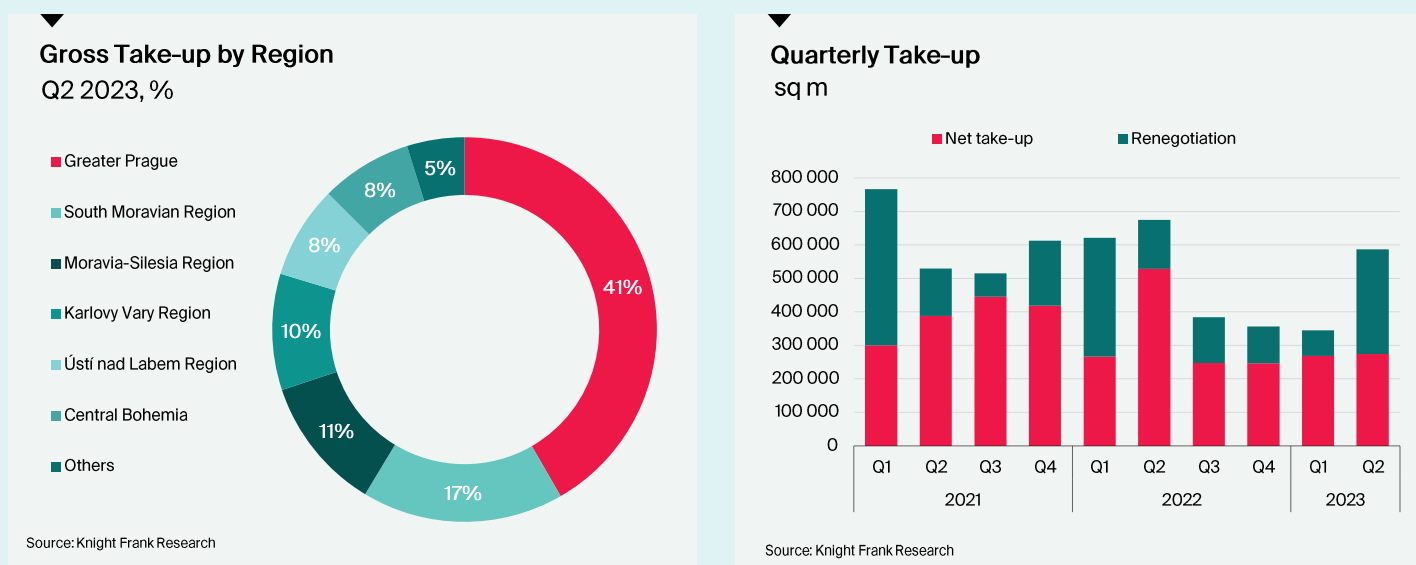
Industrial Market Overview – Q2 2023

TAKE-UP

In Q2 2023, the gross take-up reached 587,000 sq m. Compared to the previous quarter, this is a 70% increase caused primarily by the high share of renegotiations, which amounted to 53%. The largest renegotiation was concluded in Prologis Park Prague-Jirny with undisclosed logistics company for 136,900 sq m, followed by renegotiation with another undisclosed tenant in CTPark Bor for 53,700 sq m. In a year-on-year comparison, however, the gross take-up recorded a decrease of 13%.

The largest share (41%) of Q2 2023 gross take-up was recorded in the Greater Prague area, mainly due to a high share of renegotiations (94%). The South Moravian Region followed with 17%, the share of renegotiations reached 77% here.

Net take-up fell by 48% in a year-on-year comparison and reached 274,300 sq m, but it must be mentioned the comparison is misleading, because the highest rental transaction in our history (233,700 sq m) was concluded in Panattoni Park Cheb in Q2 2022. Compared to the previous quarter, net take-up increased by only 2%. Thus, over the past year, net take-up has been more or less stable with no sign of significant growth, despite increasing supply. 80% of the net take-up was evenly distributed in just four regions, namely Moravian-Silesian, Karlovy Vary, Ústí nad Labem and Central Bohemian.



TAKE-UP		CHANGE	
Q2 2023		Y/Y	Q/Q
Gross	587,000 sq m	-13%	+70%
Net	274,300 sq m	-48%	+2%

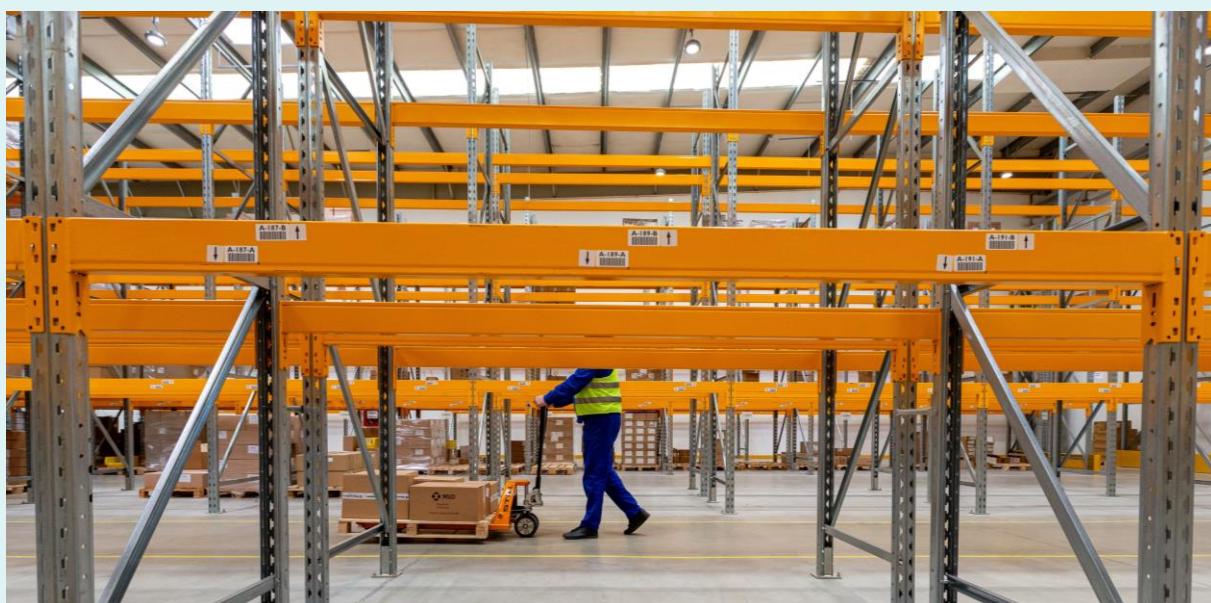
SIGNIFICANT NEW LEASES IN Q2 2023

PROPERTY	TENANT	SIZE (sq m)	DEAL TYPE
Panattoni Park Ostrov North	Confidential	57,400	Pre-lease
CTPark Ostrava Hrušov	Confidential	26,400	New Lease
Panattoni Park Kladno South	Hanon	21,000	Pre-lease
CTPark Ostrava Poruba	Geis CZ	16,700	New Lease

Industrial Market Overview – Q2 2023

MARKET NEWS

- ✓ The developer and owner of industrial properties CTP has completed the construction of 52,000 sq m in shell & core at CTPark Prague North, which aspires to BREEAM Outstanding certification and will be the most ecological park not only in the Czech Republic but also worldwide. Among other things, it offers a photovoltaic power plant with 25MWp capacity, sustainable water management, low-carbon materials and modern technological solutions, including heat pumps in the offices.
- ✓ Accolade Group, which invests in modern industrial property across Europe, has expanded its portfolio with the addition of the Karlovarská Business Park. After purchasing a majority stake from Czech property fund Conseq Realitní, the group has become its sole owner. Part of the site is four buildings with a total area of 19,500 sq m.
- ✓ In April, the German group GARBE Industrial Real Estate CEE and the investor Progresus started construction work on the latest joint project of GARBE Park Chomutov II, which will have a total lettable area of almost 21,000 sq m. Completion is scheduled for the last quarter of this year.
- ✓ Czech logistics developer Logport Development has launched construction of one of the largest Kladno brownfields, in the area of the former Poldi Kladno smelters. It is revitalizing a plot of land with a total area of 15,000 sq m. Construction is scheduled for completion in the first quarter of 2024.
- ✓ Panattoni and RSJ are also starting construction on the same brownfield site in Kladno. After the completion of demanding remediation works, Panattoni will construct two buildings with a total size of 88,500 sq m on land owned by the RSJ investment group, targeting an Excellent rating according to BREEAM New Construction certification. It will be possible to hand over the modern, built-to-suit industrial premises to future tenants as early as 2025.
- ✓ At the end of June, the international developer UDI Group ceremoniously opened the finished logistics park Sázava Logistics Park on the D1 motorway near Ostředeck. The 50,000 sq m facility is the first in the Czech Republic to purify rainwater into drinking water in a newly built treatment plant.



GREATER PRAGUE



TOTAL STOCK

3.48 m sq m



NEW SUPPLY Q2 2023

2,900 sq m



UNDER CONSTRUCTION

127,500 sq m



VACANCY RATE

0.7%

- Prague is a central point of all highway routes and is also an important international railway junction. Air transport including freight is provided mainly by the Václav Havel Airport Prague.
- Greater Prague area is the largest warehouse and industrial market in the Czech Republic, it accounts for 31% of the country's total stock.
- The unemployment rate was 3.0% in June 2023.
- In Q2 2023, gross take-up amounted to 245,000 sq m, out of which net take-up represented 6% only.



Current Rent

€7.00 – 7.75 sq m/month

CENTRAL BOHEMIAN REGION



TOTAL STOCK

888,100 sq m



NEW SUPPLY Q2 2023

63,300 sq m



UNDER CONSTRUCTION

26,300 sq m



VACANCY RATE

4.4%

- The Central Bohemian Region has the second densest (after Prague), but also the most overloaded, transport network in the Czech Republic. Main railway and road transit networks run through the region leading to the Capital City. Water transport is also present in the region.
- The unemployment rate was 3.0% in June 2023.
- In Q2 2023, gross take-up amounted to 45,100 sq m, represented by new leases only.



Current Rent

€5.70 – 7.50 sq m/month

SOUTH BOHEMIAN REGION



TOTAL STOCK

97,400 sq m



NEW SUPPLY Q2 2023

0 sq m



UNDER CONSTRUCTION

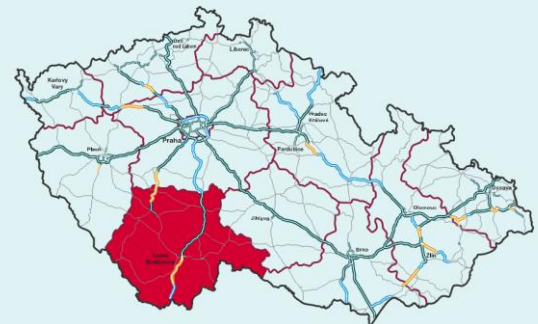
37,900 sq m



VACANCY RATE

0.0%

- The Region has been reporting an ever-increasing volume of traffic, particularly on the road. However, the Region's territory is not connected to the network of highways within the CR. The planned and partly under construction D3 highway will connect Prague with the South Bohemian Region and further will join the highway network in neighboring Austria. The South Bohemian Region - Austrian Border section should be completed by 2025 and completion in the Central Bohemian Region by 2029.
- The unemployment rate was 2.4% in June 2023.
- No new take-up was realized in Q2 2023.



Current Rent

€5.50 – 6.00 sqm/month

SOUTH MORAVIAN REGION



TOTAL STOCK

1.31 m sq m



NEW SUPPLY Q2 2023

11,800 sq m



UNDER CONSTRUCTION

206,000 sq m



VACANCY RATE

0.6%

- The South Moravian Region has an important transit function. An important regional transport hub in the case of road, motorway, railway and air transport is the city Brno, which is situated at the highway intersection in the direction of Prague (D1), Bratislava (D2), Olomouc (D46) and Vienna (D52). However, the D52 motorway is still incomplete and should be fully finished by 2030.
- The South Moravian Region is the third largest logistics market in the Czech Republic after Prague and Plzeň.
- The unemployment rate was 4.0% in June 2023.
- In Q2 2023, gross take-up amounted to 99,700 sq m, out of which net take-up represented 23%.



Current Rent

€5.50 – 7.50 sqm/month

HRADEC KRÁLOVÉ AND PARDUBICE REGIONS



TOTAL STOCK

404,100 sq m



NEW SUPPLY Q2 2023

8,200 sq m



UNDER CONSTRUCTION

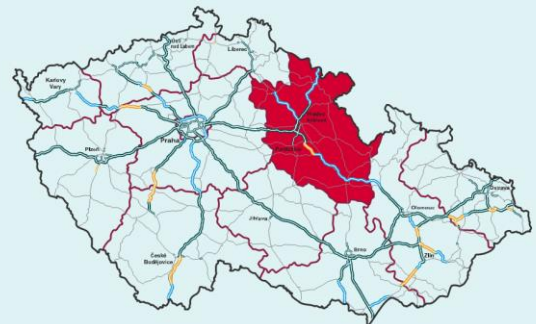
79,400 sq m



VACANCY RATE

1.2%

- The Hradec Králové Region is connected to Prague by the unfinished D11 highway, which, after its completion in 2027, will connect the region with Poland. The Pardubice and Hradec Králové Regions are also crossed by two European long-distance roads E67 (Prague-Warsaw) and E442 (Liberec-Olomouc). The planned and now partially under construction D35 highway will also pass through the regions.
- In June 2023, the unemployment rate was 2.5% in Pardubice Region and 2.9% in Hradec Králové Region.
- No new take-up was realized in Q2 2023.



Current Rent

€5.50 – 7.00 sq m/month

KARLOVY VARY REGION



TOTAL STOCK

394,600 sq m



NEW SUPPLY Q2 2023

22,000 sq m



UNDER CONSTRUCTION

313,400 sq m



VACANCY RATE

3.8%

- The main road of the Karlovy Vary Region is the unfinished D6 highway (Cheb - Sokolov - Karlovy Vary), which should be completed in 2027. Currently, the highway is connected to Germany by road I/6.
- Most of the existing warehouse space is located the vicinity of Cheb, close to the D6 highway.
- The unemployment rate was 4.0% in June 2023.
- In Q2 2023, gross take-up amounted to 57,400 sq m, represented by one new lease only.



Current Rent

€5.50 – 6.00 sq m/month

LIBEREC REGION



TOTAL STOCK

380,000 sq m



NEW SUPPLY Q2 2023

17,200 sq m



UNDER CONSTRUCTION

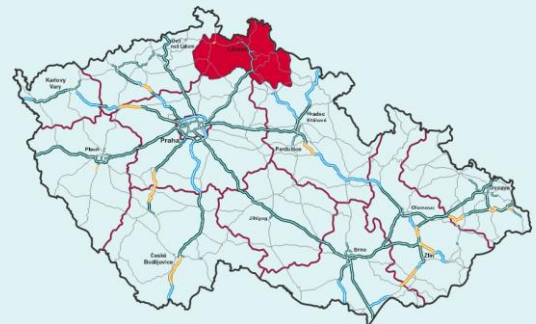
17,900 sq m



VACANCY RATE

0.0%

- The Region is connected to Prague via the D10 highway, which leads from Prague to Turnov, where it terminates and connects to the I / 35 expressway, which continues to the regional city of Liberec. Passing through the region is the European route E65 running in the direction, Prague, Harrachov, Poland. There are other first-class roads which connect the region with Germany.
- The unemployment rate was 3.6% in June 2023.
- No new take-up was realized in Q2 2023.



Current Rent

€6.00 – 7.00 sq m/month

OLOMOUC AND ZLÍN REGIONS



TOTAL STOCK

657,300 sq m



NEW SUPPLY Q2 2023

13,000 sq m



UNDER CONSTRUCTION

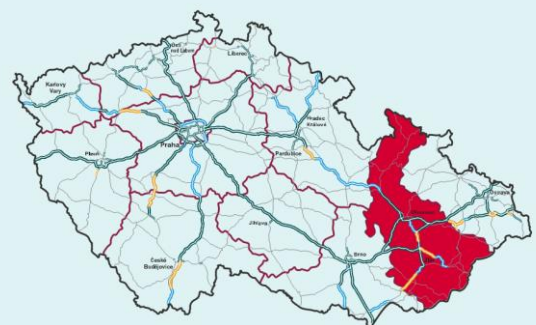
79,600 sq m



VACANCY RATE

3.1%

- The unfinished D1 highway passes through the region but is connected to the regional city of Olomouc by the fully completed D46 highway and the unfinished D35 highway (the so-called northern backbone route, which will connect Bohemia with Moravia). The main highway of the Zlín Region will be the D55 highway, which is under construction and after its completion in 2031 will connect Olomouc with the South Moravian Region through the territory of the Zlín region. The D49 motorway, which will connect eastern Moravia with western Slovakia, is also under construction.
- In June 2023, the unemployment rate was 3.2% in Olomouc Region and 2.5% in Zlín Region.
- In Q2 2023, gross take-up amounted to 10,500 sq m, represented by new leases only.



Current Rent

€5.50 – 6.40 sq m/month

MORAVIA-SILESIA REGION



TOTAL STOCK

1.12 m sq m



NEW SUPPLY Q2 2023

5,200 sq m



UNDER CONSTRUCTION

148,900 sq m



VACANCY RATE

3.9%

- The main regional road is the D1 highway, which connects the region with the entire country and Polish A1 highway. The unfinished D48 motorway also passes through the region. After its completion will form part of the third capacity connection between the Czech Republic and Slovakia.
- The unemployment rate was 4.7% in June 2023.
- In Q2 2023, gross take-up amounted to 66,100 sq m, out of which net take-up represented 92%.



Current Rent

€5.20 – 6.50 sq m/month

PLZEŇ REGION



TOTAL STOCK

1.65 m sq m



NEW SUPPLY Q2 2023

64,400 sq m



UNDER CONSTRUCTION

189,300 sq m



VACANCY RATE

0.8%

- An important D5 highway is passing through the region. It leads from Prague around Plzeň to Germany.
- The Plzeň Region is the second largest logistics market in the Czech Republic after Prague, most of the existing warehouse space is located around the regional city of Plzeň.
- The unemployment rate was 2.6% in June 2023.
- In Q2 2023, gross take-up amounted to 18,000 sq m, represented by new leases only.



Current Rent

€5.20 – 8.00 sq m/month

ÚSTÍ NAD LABEM REGION



TOTAL STOCK

752,200 sq m



NEW SUPPLY Q2 2023

32,000 sq m



UNDER CONSTRUCTION

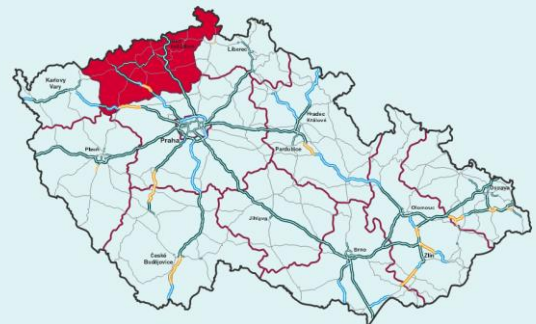
173,600 sq m



VACANCY RATE

5.2%

- The Region has an important transport position given by the link to the European Union. The D8 highway is passing through the region. It leads from Prague to the state border with Germany, where it links to the German A17 highway. Another strategic communication is the planned, partly under construction and operational D7 highway leading from Prague to Chomutov and further to the border with Germany. The Labe (Elbe) River is an important artery of shipping that connects the inland Czech Republic with the North Sea.
- The unemployment rate was 5.3% in June 2023.
- In Q2 2023, gross take-up amounted to 45,800 sq m, represented by new leases only.



Current Rent

€5.35 – 6.20 sq m/month

VYSOČINA REGION



TOTAL STOCK

254,000 sq m



NEW SUPPLY Q2 2023

0 sq m



UNDER CONSTRUCTION

6,200 sq m



VACANCY RATE

0.0%

- The road and railway network in the region is strategic from the national as well as European point of view. The territory is a part of Central-European urbanised axis (Berlin – Prague - Vienna / Bratislava - Budapest). The D1 highway thus serves both the national and European transport.
- The unemployment rate was 2.5% in June 2023.
- No new take-up was realized in Q2 2023.



Current Rent

€6.00 – 7.50 sq m/month

Industrial Market Overview – Q2 2023

E C O N O M Y

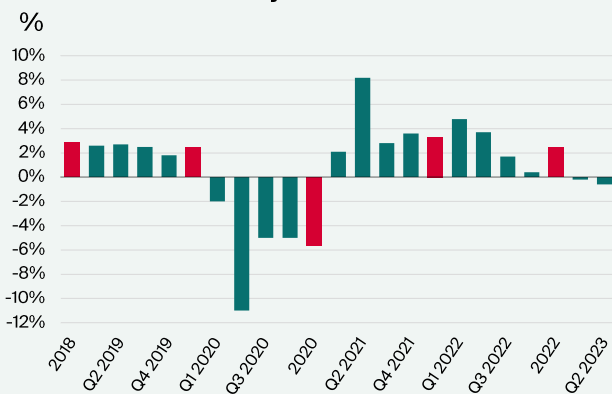
According to the preliminary estimate of the Czech Statistical Office, the gross domestic product decreased by 0.6% year-on-year in Q2 2023. The year-on-year development of the GDP was negatively influenced by lower final consumption expenditure of households and by lower gross capital formation, on the contrary, external demand had a positive influence. Quarter-on-quarter GDP increased by 0.1%, domestic demand contributed to the growth, while household final consumption expenditure stagnated. According to the Czech National Bank, GDP should grow by just 0.1% in 2023, then by 2.3% in 2024.

The Czech economy is facing exceptionally strong inflationary pressures, which are causing prices to rise across the board. In June 2023, consumer prices moderated their growth for the fifth time, rising by 9.7% year-on-year. Lower price growth had been recorded for the last time in December 2021, that was 6.6%. The slowdown of price increase came mainly from development in food and non-alcoholic beverages and in housing category. The prices of goods increased by 10.7% and the prices of services by 7.9%. The inflation should reach 11% in 2023 and 2.1% in 2024.

In June 2023, the industrial production increased by 0.9% in real terms year-on-year, reaching the same value month-on-month. The growth rate of industrial production has been gradually decreasing. Even an increase in production of motor vehicles and their components did not outweigh a decreasing trend in many other economic activities of industry. The value of new orders decreased by 5.8%, year-on-year. Non-domestic new orders decreased by 7.6% and domestic new orders by 1.9%.

General unemployment rate reached 2.6% in June 2023.

GDP Growth Year-on-year



Source: Czech Statistical Office

Czech Inflation



Source: Czech Statistical Office

DEFINITIONS

Total Stock: Modern developer-led warehouse and industrial production space of A class quality (including built-in offices) owned by a developer or investor for lease excluding owner-occupied stock.

New supply: Completed newly built buildings that obtained a use permit in the given period.

Take-up: Total floor space let or pre-let to tenants over a specified period of time for a period longer than one year. Gross take-up also includes renegotiations and contract extensions. Net take-up includes new contracts, expansion of existing premises or pre-leases.

Prime headline rent: Achieved rents that relate to new prime, high specification units of 4,000-5,000 sq m in prime locations. Effective rents represent the achievable average rents including rent free period.

Current rent: Rent offered on the market in class A premises with an area of 4,000 - 5,000 sq m in a given period.

Unemployment rate: Share of unemployed persons (per population aged 15-64) .

Industrial Market Overview – Q2 2023

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