

# Czech Republic Industrial Market



## Quarterly Statistics

### Total Stock

**12.1**  
million sq m

Q4 2022: 11.1 mil. sq m  
YoY change: +8%

### Gross Take-Up

**399,100**  
sq m

Q4 2022: 381,200 sq m  
YoY change: +5%

### Net Take-Up

**232,100**  
sq m

Q4 2022: 252,700 sq m  
YoY change: -8%

### Vacancy Rate

**2.3**  
%

Q4 2022: 1.7%  
YoY change: +61 bps

### Completions

**245,600**  
sq m

Q4 2022: 243,800 sq m  
YoY change: +1%

## Economic Indicators<sup>1</sup>

### GDP Growth

**-0.2%**  
(in Q4 2023, YoY)

2023: -0.4%  
2024 Forecast: 1.2%

### Inflation

**6.9%**  
(in December 2023)

2023: 10.7%  
2024 Forecast: 3.1%

### Policy Rates

**4.0%**  
3M EURIBOR\*

2023: 3.4%  
Q4 2024 Forecast: 3.4%

### Unemployment

**3.7%**  
(in December 2023)

2023: 2.6%  
2024 Forecast: 2.8%

### Gross Monthly Salary

**€1,553**  
(national median)\*\*

Q3 2022: €1,424  
YoY change: +7.1%

<sup>1</sup>) Based on the data available on 01/02/2024 (Source: Czech Statistical Office, Czech National Bank, Ministry of Finance)

\*) Q4 2023 average

\*\*\*) in Q3 2023

# Industrial market highlights

- After a 12% growth in 2022, the total industrial stock in the Czech market grew by 8% this year and at the end of 2023 totalled 12.1 million sq m. The countrywide vacancy rate sat below 2% for eight straight quarters from Q3 2021 to Q2 2023, averaging at 2.7% in the past five years and closed Q4 2023 at 2.3% (marginal increase q-o-q).
- Developers brought 932,100 sq m of new industrial product to market in 2023. The Ústí nad Labem and Pilsen regions led in new industrial development, together accounting for nearly 36% of construction completions this year. The Ústí nad Labem region took the top spot with 179,700 sq m of new deliveries. The market maintains a robust active development pipeline as 1.38 million sq m is currently under construction and 47% is developed speculatively.
- The demand for industrial real estate experienced robust growth during the two post-pandemic years between 2021 and 2022 when annual net take-up reached a record 1.5 million sq m. Velocity has cooled over the last several quarters due to economic pressures and slowing demand and in 2023 the country registered 951,800 sq m of new leasing activity (driven by the manufacturing sector). This was 37% down from the two record years but only 2% below the 10-year average. Total tenant activity, including lease prolongations and renewals, totalled 1.6 million sq m in 2023, being 29% below 2022 and 3% above the 10-year average.

## Quarterly market statistics

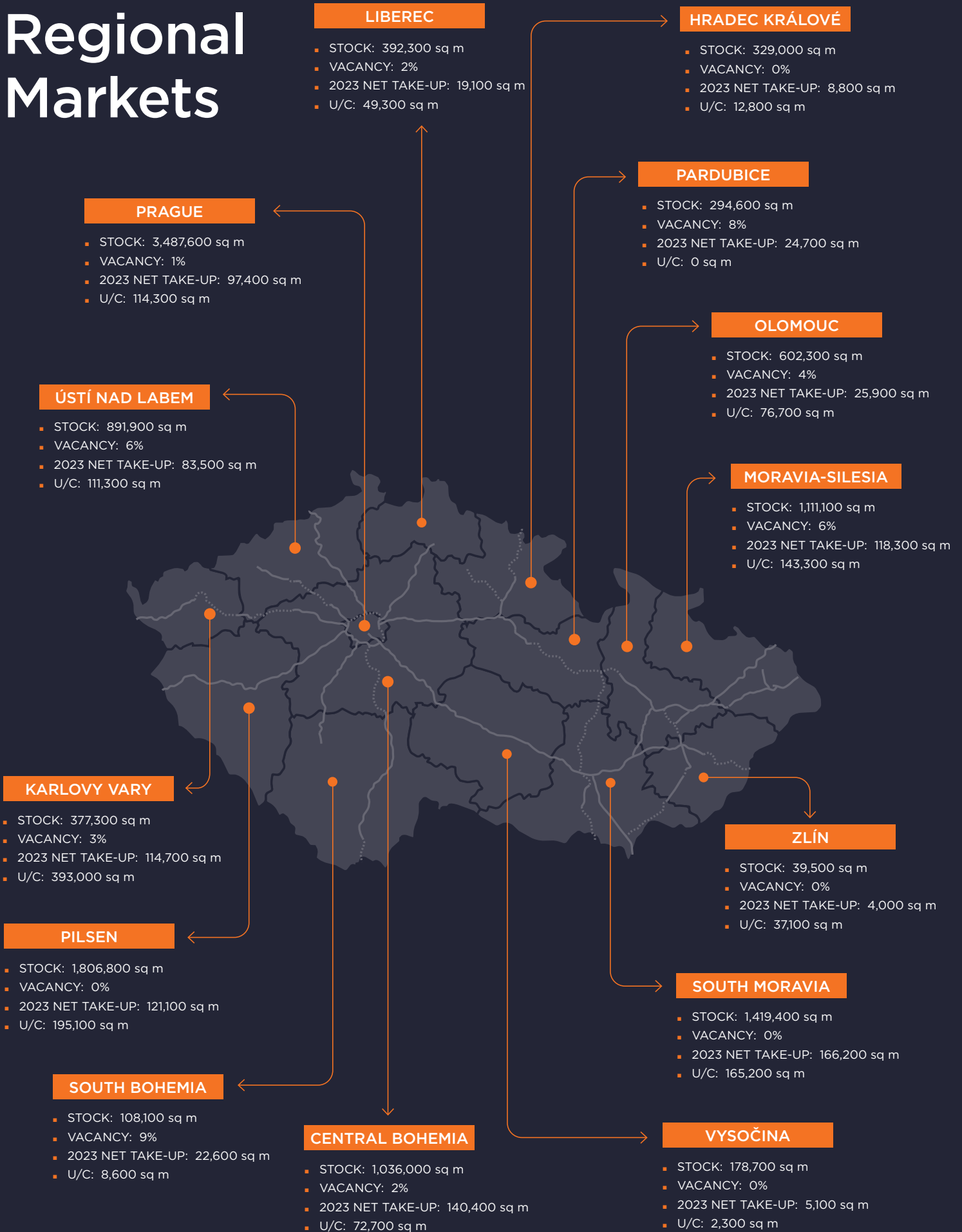
Key Market Indicators	Gross Take-up (sq m)	Net Take-up (sq m)	New Completions (sq m)	Vacancy at Quarter End
Current quarter	399,100	232,100	245,600	2.3%
Previous quarter	291,600	184,200	207,800	2.1%
YoY movement	+5%	-8%	+1%	+61 bps

## Annual market statistics for 2023

Key Market Indicators	Gross Take-up (sq m)	Net Take-up (sq m)	New Completions (sq m)	Total Stock (sq m)
Total for the year	1,628,400	951,800	932,100	12,074,800
YoY movement	-29%	-37%	-21%	+8%



# Regional Markets



Stock, vacancy and U/C (space under construction) represent current quarter data, Net take-up shows cumulative year-to-date figures.  
Data source: Savills

# Market Review Q4 2023

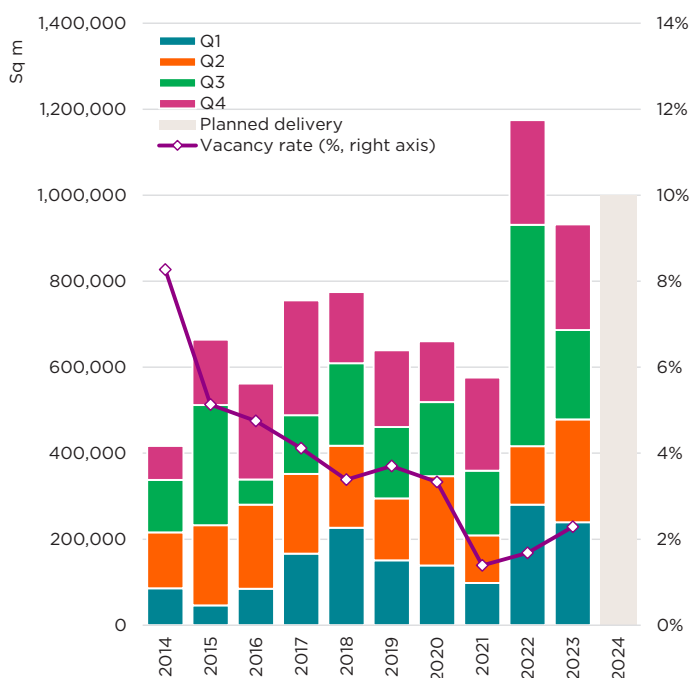
## New Supply and Construction Pipeline

- The last quarter of 2023 saw 25 developments reach completion, contributing over 245,600 sq m to the existing inventory (almost the same as a year ago). Of that, only 29,800 sq m remained available for lease upon completion, however, additional 194,000 sq m of space was still available for lease in units completed to shell & core finish.
- In Q4 2023, industrial developers completed the most space in the regions of Ústí nad Labem and Pilsen. The Pilsen region also saw the highest volume of new deliveries in the past three years' period, followed by Moravia-Silesia.
- A total of 1.38 million sq m is currently under construction, which equates to 11% of the market's total inventory. Meanwhile, about half of space now under construction remains unleased.
- The region of Karlovy Vary is still the country's construction hotspot with 393,000 sq m of space underway and this will not change until the H&M logistics centre (233,700 sq m) is completed at the beginning of 2025. Without this largest project, the most active submarkets are the Pilsen and South Moravian regions.
- Annual construction completions in 2024 are expected to reach similar level as in 2023.

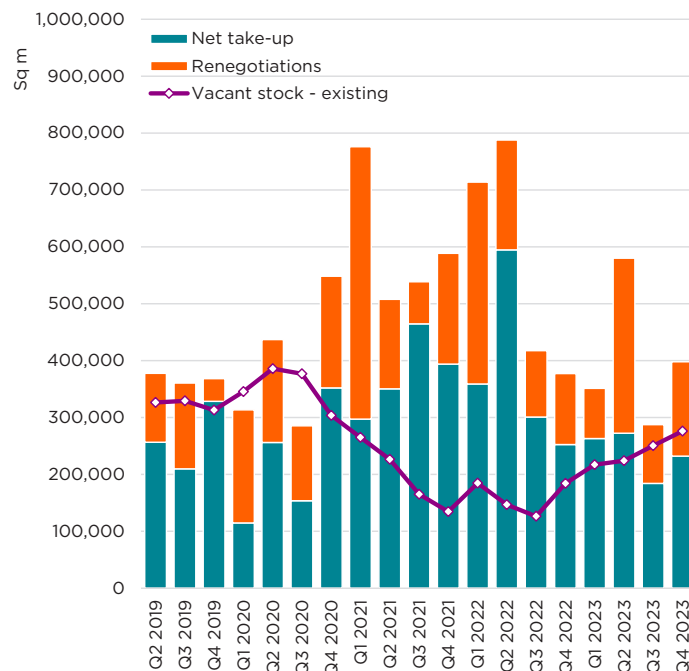
## Occupier Demand

- Although gross leasing volumes eased in Q3 2023, the industrial market performed well in the final quarter of the year. Gross take-up amounted to 399,100 sq m, demonstrating a 37% increase from the previous quarter and 5% y-o-y.
- At 232,100 sq m recorded in Q4 2023, net leasing activity is trending broadly in line with pre-Covid levels and stands 26% above the Q3 results, though having moderated from the historic pace set during 2021 and 2022. Over the quarter, most of the net leasing activity came from production companies (55%). The market saw 38 net leasing deals signed in the quarter, bringing the annual total to 155 (a 27% drop compared to the peak of 212 in the previous two years). The majority of new deals signed during Q4 2023 were units smaller than 4,000 sq m.
- Geographically, the region of Karlovy Vary captured the highest share of net take-up in Q4 (25%), followed by the Central Bohemian region (19%) and Southern Moravia (11%).
- We continue to register many active requirements especially in the core industrial submarkets, but also see increasing number of indications that at current occupancy costs the Czech Republic is losing its competitive edge among the neighbouring countries.

## New Supply



## Take-up



# Market Review Q4 2023

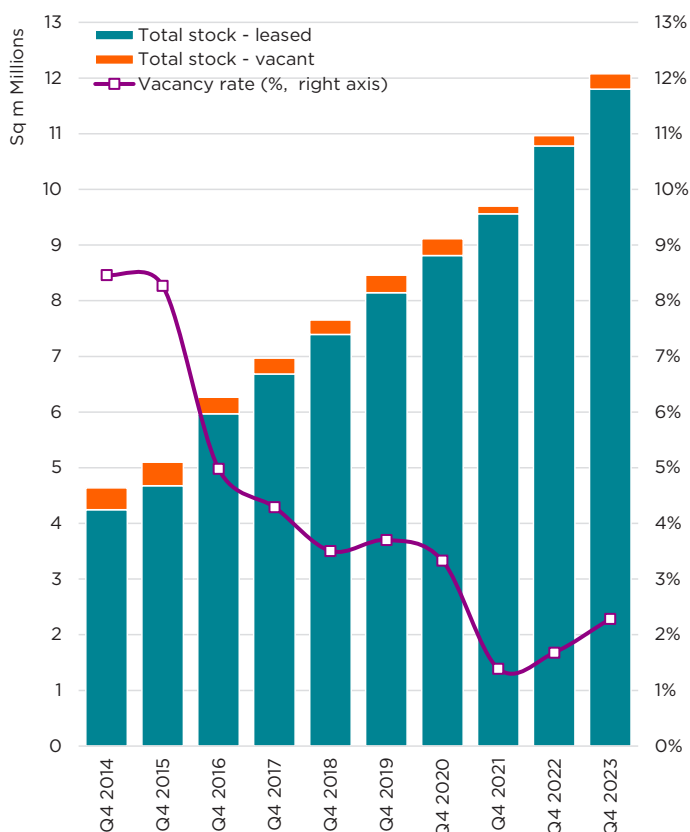
## Vacancy Rate

- The nation's vacancy rate continued to slowly creep up and in Q4 2023 was 2.3%, increasing by 17 bps from the previous quarter and 61 bps y-o-y. However, this figure remains below the threshold for a healthy market.
- Across the country, about 276,100 sq m of industrial space was listed as available for lease among existing properties at the end of 2023, and further 582,200 sq m of unleased space was under construction with completion scheduled in 2024.
- The highest volume of existing vacant space, meaning the best negotiating position for tenants seeking immediately available space, is found in the Moravian-Silesian region, followed by the Ústí nad Labem region. On the other side, tenants looking for modern warehouse or production space for lease in the regional markets of Vysočina or Zlín have to count with longer lead times.
- Prague remains tight, but with the growing sublease market and more second-hand units becoming available, the era of intense competition for each square meter may be slowly fading.

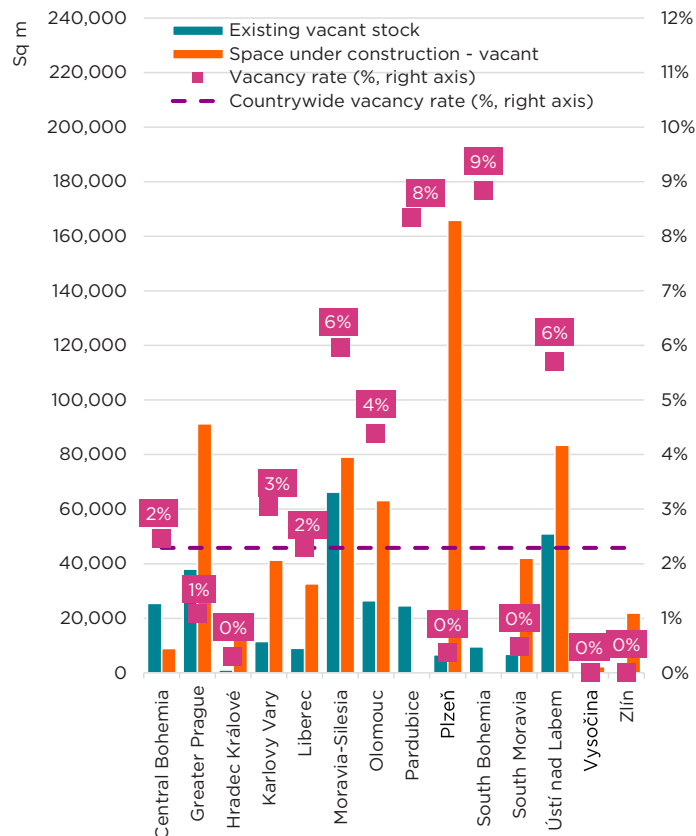
## Rent Levels

- Although some landlords provide higher flexibility on leasing terms, the majority of offers still had headline rents in Prague sitting between €7.25 and €7.50, unchanged from the previous quarter. Tenants should, however, be mindful of the fact that there is often no (or negligible) difference in rents between a brand new building and one that is more than 20 years old (although still A-class). Regional submarkets followed the same trend, with rents stable in the range of €5.50 - €6.25.
- Smaller units (below 2,000 sq m) continued to lease for €7.00 - €9.00 per sq m per month.
- Rents for offices and sanitary areas within halls typically stood between €9.90 and €11.00 per sq m per month. Monthly service charges have not changed from the previously reported €0.65 - €1.00 per sq m per month and are charged on top of rent.
- Incentives typically include 2-4 rent-free months for a five-year lease in Prague and slightly more in the regions where these are often supported by a fit-out contribution.

## Vacancy



## Vacancy in Regions



# Macroeconomic highlights<sup>1</sup>

- GDP GROWTH:** According to preliminary estimates, GDP fell by 0.4% for the full year 2023 and in Q4 2023 contracted by 0.2% y-o-y. In 2024, the economy is forecast to grow by 1.2%, mainly due to renewed growth in household consumption, export markets and private investment.
- INFLATION:** In December 2023, consumer prices rose by 6.9% y-o-y and the pace of growth further slowed compared to the previous two months. The average inflation rate for the full year 2023 was 10.7% and is projected to fall to between 2.6% and 3.4% in 2024.
- UNEMPLOYMENT:** In line with usual seasonality, the share of unemployed people increased to 3.7% in December 2023, reaching the same level as in December 2022. The Czech Republic still has the lowest unemployment rate in the EU27.
- RETAIL SALES:** Retail sales increased by 0.9% year-on-year in November 2023 and rose for the first time after 18 months of decline. The overall increase was driven by sales of non-food goods (+1.0% y-o-y) and fuel (+3.0% y-o-y). However, food sales continued to decline (-0.7% y-o-y).

**3.1%**

CPI INFLATION  
2024 PREDICTION  
(10.7% IN 2023)

**1.2%**

GDP GROWTH  
2024 PREDICTION  
(-0.4% IN 2023)

**3.7%**

NATIONAL  
UNEMPLOYMENT  
(IN DECEMBER 2023)

**€1,553**

GROSS MONTHLY SALARY  
(NATIONAL MEDIAN IN  
Q3 2023)

**+0.9% YoY**

RETAIL SALES  
(IN NOVEMBER 2023)

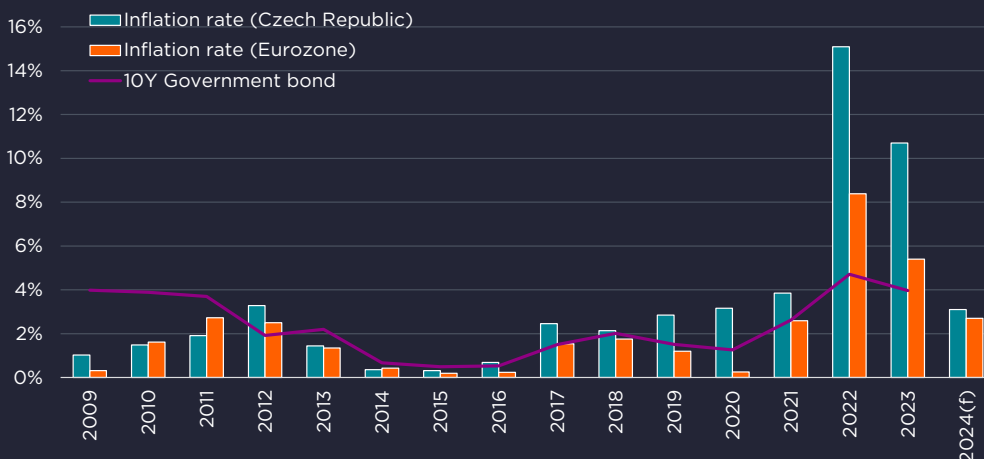
**4.0%**

3M EURIBOR  
(Q4 2023)

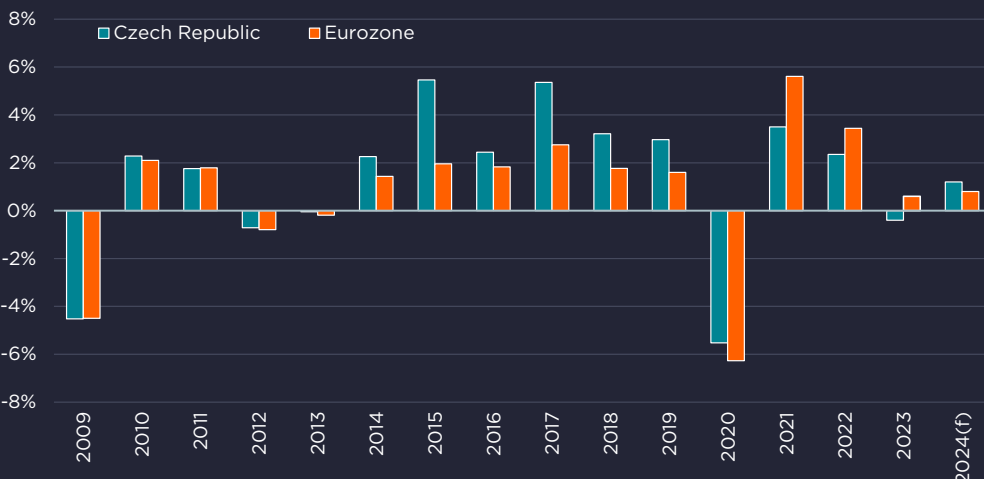
**6.6%**

3M PRIBOR  
(Q4 2023)

## Inflation Rate and 10Y Government Bond<sup>1</sup>



## GDP Growth<sup>1</sup>



<sup>1</sup> Based on the data available on 01/02/2024 (Source: Czech Statistical Office, Czech National Bank, Ministry of Finance)

# Used Terms

**A-CLASS BUILDING** is a modern production or logistics facility featuring truck loading docks and / or direct drive-in gates, with a clear internal storage height of at least 6 m, flat roof, sandwich panels facade and a dust-free concrete floor. (For the avoidance of doubt, older premises without heating, where the facade is made of metal sheets / bricks / masonry are not considered A-class).

**TOTAL STOCK** includes all A-class warehouses and production facilities developed or owned by a developer and/or investor, which are being leased to third parties (further information about A-class standard is stated above). Owner-occupied and B-class premises are excluded. Total Stock represents the total rentable area of the building and therefore includes not only warehouse and production premises but also the associated offices, lockers, canteens and sanitary space.

**NEW SUPPLY** represents the volume of A-class warehouses and production facilities where construction was completed in the specified time period. Owner-occupied premises are not tracked.

**CONSTRUCTION PIPELINE** comprises A-class warehouses and production facilities that are under construction in the specified time period, or in shell & core finish, where full completion takes more than 3 months. Owner-occupied premises are not tracked.

**VACANCY RATE** demonstrates the share of unleased space within those completed buildings that are included in Total Stock. Units under short-term lease or under offer (with Heads of Terms signed) are considered vacant. For the purposes of vacancy calculation, the unit is leased upon signature of a binding commitment (e.g. Lease Agreement, Amendment etc.). Vacancy is calculated from the total rentable space and therefore includes not only warehouse and production premises but also the associated offices, lockers, canteens and sanitary space.

**GROSS TAKE-UP** represents the total leasing activity that was recorded within A-class buildings (existing, planned or under construction), which are part of Total Stock, Construction Pipeline or planned. This includes pre-leases, new leases, lease prolongations, lease renegotiations, expansions and subleases. Short-term leases (for a period shorter than 12 months) are excluded. Transactions are recorded based on a Lease Agreement / Future Lease Agreement / Amendment signature date, not based on occupation (handover) date. The statistics include the industrial premises as well as the associated office and sanitary space.

**NET TAKE-UP (NET DEMAND)** follows the same principles as Gross Take-Up, but excludes subleases, lease renegotiations and prolongations of previously signed lease agreements.

**HEADLINE RENTS** are rents achieved within standard A-class warehousing units of around 5,000 sq m based on a 5-year lease term. Any above-standard building modifications and fit-outs are excluded. Headline rents exclude any incentives provided by the landlord and also exclude service charges.

**SERVICE CHARGES** are monthly fees payable in addition to rent for each sq m of internal rented area. This fee covers costs relating to the shared areas within the industrial park (i.e. snow removal from roads, landscaping and greenery maintenance, security services, etc.). The exact scope of services included in the service charges differs developer by developer.

**GREATER PRAGUE / PRAGUE** does not only cover the cadastral area of the city of Prague but also includes projects located in the Central Bohemia region, that are within 10-15 km radius from the Prague outer ring-road (i.e. the D0 highway).

As data quality and accuracy is important to us, some figures may change even retrospectively due to regular revisions.



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