MARKET IN MINUTES
Savills Research

Czech Republic - Industrial Market - Q2 2024

Czech Republic Industrial Market

Quarterly Statistics

Total Stock	Gross Take-Up	Net Take-Up	Vacancy Rate	Completions
12.5 million sq m	434,100 sq m	295,100 sq m	3.1 %	177,200 sq m
Q2 2023: 11.6 mil. sq m	Q2 2023: 600,800 sq m	Q2 2023: 273,400 sq m	Q2 2023: 1.9%	Q2 2023: 238,300 sq m
YoY change: +7%	YoY change: -28%	YoY change: +8%	YoY change: +119 bps	YoY change: -26%

Economic Indicators[1]

GDP Growth	Inflation	Policy Rates	Unemployment	Gross Monthly Salary
0.2% (in Q1 2024, YoY)	2.0% (in June 2024)	3.8% 3M EURIBOR[2]	2.7% (in May 2024)	€1,462 (national median)[3]
2023: -0.4%	2023: 10.7%	2023: 3.4%	2023: 2.6%	Q1 2023: €1,460
2024 Forecast: 1.4%	2024 Forecast: 2.3%	2024 Forecast: 3.6%	2024 Forecast: 2.8%	YoY change: +5.5%

1) Based on the data available on 15/07/2024 (Source: Czech Statistical Office, Czech National Bank, Ministry of Finance, European Central Bank)
2) Q2 2024 average
3) in Q1 2024

Industrial market highlights

- In the first half of the year, the total modern industrial stock in the Czech Republic increased by 332,700 sq m, which is 13% less than the new supply recorded in H1 2023. The current existing stock stands at 12.45 million sq m, with 389,200 sq m of industrial space and associated offices vacant as of June 2024.
- In Q2 2024, the vacancy rate exceeded 3% for the first time since 2020.
- The construction pipeline remains at a record high, with 1.54 million sq m under construction or in shell & core finish, of which 51% is still available for lease.
- Total leasing activity from the beginning of the year reached 663,940 sq m, marking a 30% y-o-y decline, a 37% drop compared to the 5-year H1 average, and falling 24% short of the H1 average over the past 10 years. Renewals of older lease commitments accounted for 31% of the gross take-up in H1 2024.
- Net demand for H1 2024 totalled 459,100 sq m, a decrease of 12% y-o-y, 23% below the 5-year H1 average, and 12% lower than the 10-year H1 average. A total of 69 deals were signed in H1 2024, just 5 fewer than in H1 2023 but down by more than half from the peak in H1 2022.

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	434,100	295,100	177,200	3.1%
Previous quarter	229,800	164,000	155,500	2.5%
YoY movement	-28%	+8%	-26%	+119 bps

Cumulative year-to-date market statistics

Key Market Indicators	Gross Take-up (sq m)	Net Take-up (sq m)	New Completions (sq m)	Total Stock (sq m)
YTD figures	663,900	459,100	332,700	12,450,900
YoY movement	-30%	-12%	-13%	+7%

Data source: Savills

Regional Markets

LIBEREC
- STOCK: 412,600 sq m
- VACANCY: 6%
- NET TAKE-UP: 4,900 sq m
- U/C: 28,600 sq m

HRADEC KRÁLOVÉ
- STOCK: 329,800 sq m
- VACANCY: 0%
- NET TAKE-UP: 1,800 sq m
- U/C: 28,000 sq m

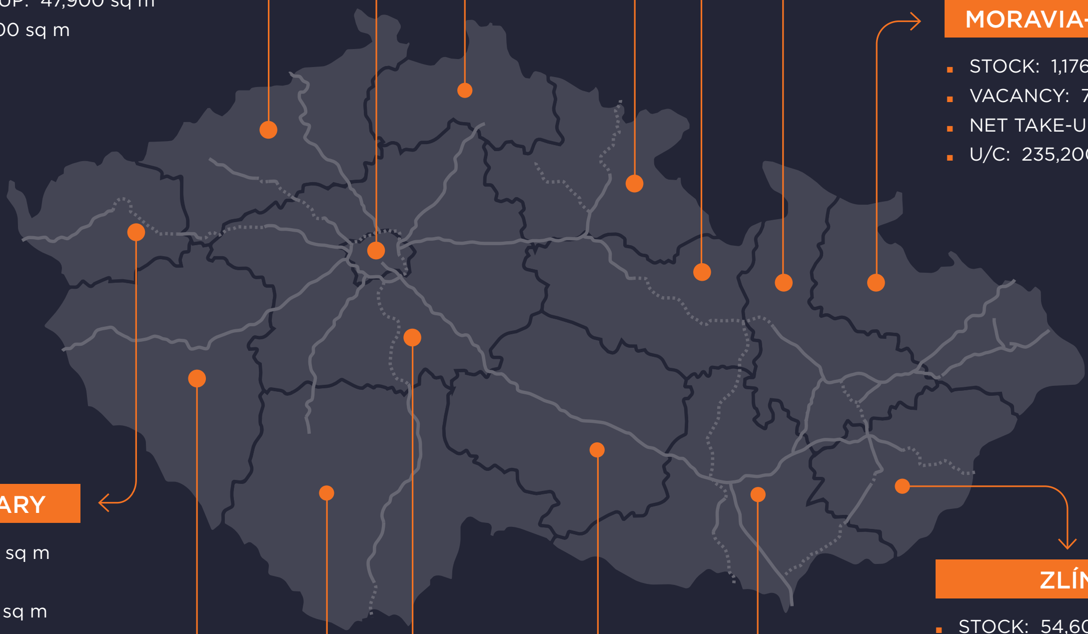
PRAGUE
- STOCK: 3,531,600 sq m
- VACANCY: 2%
- NET TAKE-UP: 81,700 sq m
- U/C: 152,200 sq m

PARDUBICE
- STOCK: 294,600 sq m
- VACANCY: 8%
- NET TAKE-UP: 0 sq m
- U/C: 0 sq m

OLOMOUC
- STOCK: 615,500 sq m
- VACANCY: 4%
- NET TAKE-UP: 28,200 sq m
- U/C: 90,200 sq m

ÚSTÍ NAD LABEM
- STOCK: 929,400 sq m
- VACANCY: 6%
- NET TAKE-UP: 47,900 sq m
- U/C: 107,000 sq m

MORAVIA-SILESIA
- STOCK: 1,176,500 sq m
- VACANCY: 7%
- NET TAKE-UP: 132,200 sq m
- U/C: 235,200 sq m



KARLOVY VARY
- STOCK: 438,000 sq m
- VACANCY: 5%
- NET TAKE-UP: 0 sq m
- U/C: 389,700 sq m

ZLÍN
- STOCK: 54,600 sq m
- VACANCY: 0%
- NET TAKE-UP: 0 sq m
- U/C: 0 sq m

PILSEN
- STOCK: 1,834,800 sq m
- VACANCY: 2%
- NET TAKE-UP: 45,800 sq m
- U/C: 170,300 sq m

SOUTH MORAVIA
- STOCK: 1,485,100 sq m
- VACANCY: 1%
- NET TAKE-UP: 21,800 sq m
- U/C: 154,100 sq m

SOUTH BOHEMIA
- STOCK: 108,100 sq m
- VACANCY: 0%
- NET TAKE-UP: 43,700 sq m
- U/C: 46,800 sq m

CENTRAL BOHEMIA
- STOCK: 1,060,200 sq m
- VACANCY: 2%
- NET TAKE-UP: 1,300 sq m
- U/C: 84,000 sq m

VYSOČINA
- STOCK: 180,100 sq m
- VACANCY: 0%
- NET TAKE-UP: 49,800 sq m
- U/C: 54,100 sq m

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 Q2 2024

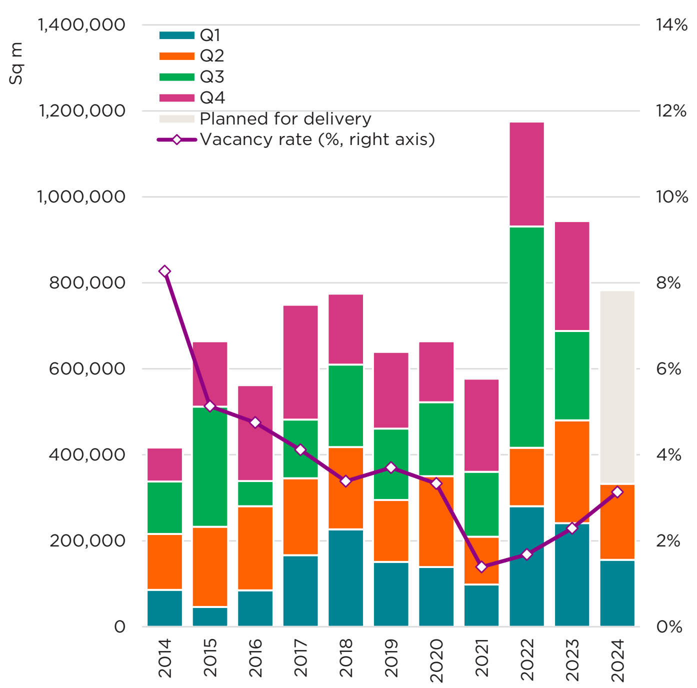
New Supply and Construction Pipeline

- Q2 2024 saw new completions of 151,100 sq m (-3% q-o-q and -32% y-o-y). Additionally, one existing warehouse was added to the inventory following a sale & leaseback transaction. Of the new deliveries, 72% were already pre-leased.
- The regions of South Moravia and Ústí nad Labem saw the highest volume of new deliveries in Q2 2024, together accounting for half of the quarter's new supply.
- Development remains a key highlight for the Czech industrial market. As of June 2024, 82 units were under construction (or in shell & core finish), totalling 1.54 million sq m, with 49% pre-leased. The majority of new developments are still underway in the Karlovy Vary region, with the Moravian-Silesian region ranking second.
- The volume of speculative developments completed to a shell & core finish climbed from 241,400 sq m in Q1 2024 to 342,700 sq m. Most of these units may be fully completed within 3-4 months from Lease Agreement signature, providing a great solution for tenants looking to take occupancy before year-end.

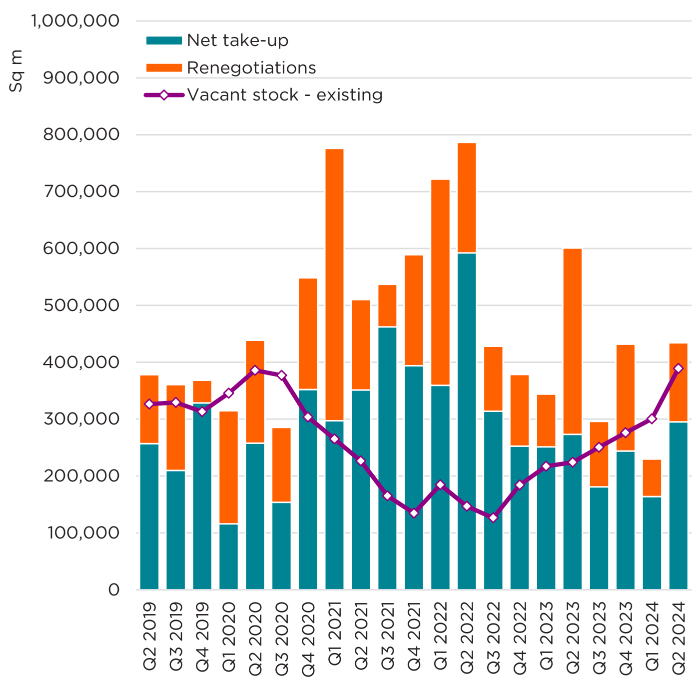
Occupier Demand

- Despite the industrial market easing towards average activity levels, a single large pre-lease signed by BMW in the Moravian-Silesian region lifted both gross and net demand in Q2 2024.
- Total leasing activity in Q2 2024 climbed to 434,100 sq m, being 89% higher q-o-q, 28% below Q2 2023 and 20% below the 5-year Q2 average. The quarter saw 56 transactions signed in total, while the highest number of deals was signed in the Greater Prague submarket. Lease renewals represented 32% of all activity.
- Net take-up for Q2 2024 totalled 295,100 sq m, marking the strongest quarterly performance since Q3 2022 and an 80% increase q-o-q. Compared to the same period last year, net demand improved by 8%, but remained 15% below the 5-year Q2 average. Consistent with the long-term trend, pre-leases dominated, accounting for 70% of net take-up this quarter. The number of deals included in net take-up was nearly identical to those in Q1.
- Manufacturing companies continued to dominate net take-up both in terms of floor space and deal count. Geographically, the Moravian-Silesian region led the demand in Q2 (thanks to the BMW pre-lease), followed by Prague and the Ústí nad Labem region.

New Supply



Take-up



Data source: Savills

Market Review Q2 2024

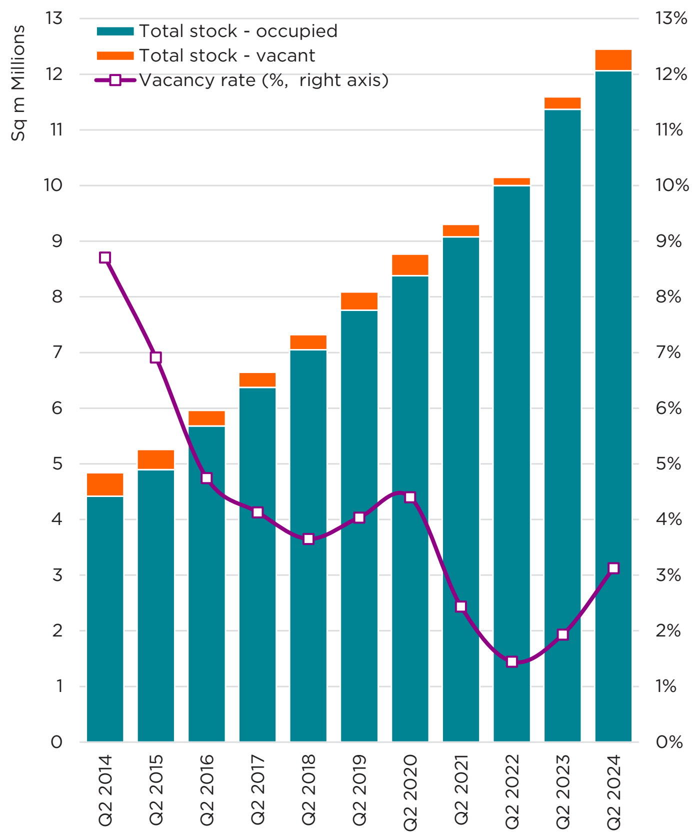
Vacancy Rate

- Czech Republic's national industrial vacancy rate continued on an upward trajectory for the fourth straight quarter, climbing 67 bps to 3.1% in Q2 2024, the highest since Q4 2020. Significant amount of this increase came from speculative new supply and also due to number of second-hand units coming back on to the market.
- Existing vacant space increased to 389,200 sq m, comprising 353,300 sq m of industrial space and 35,900 sq m of office and sanitary in-builts. Among units that are available for immediate occupation, only ten units exceed 10,000 sq m.
- The Moravian-Silesian region continues to have the largest volume of existing vacant industrial space, followed by the Greater Prague area and the Ústí nad Labem region.
- Vacancy in the Greater Prague submarket increased from 1.7% in Q1 2024 to 2.4% in Q2 2024, with additional space offered by existing tenants for sublease or potential lease assignment.

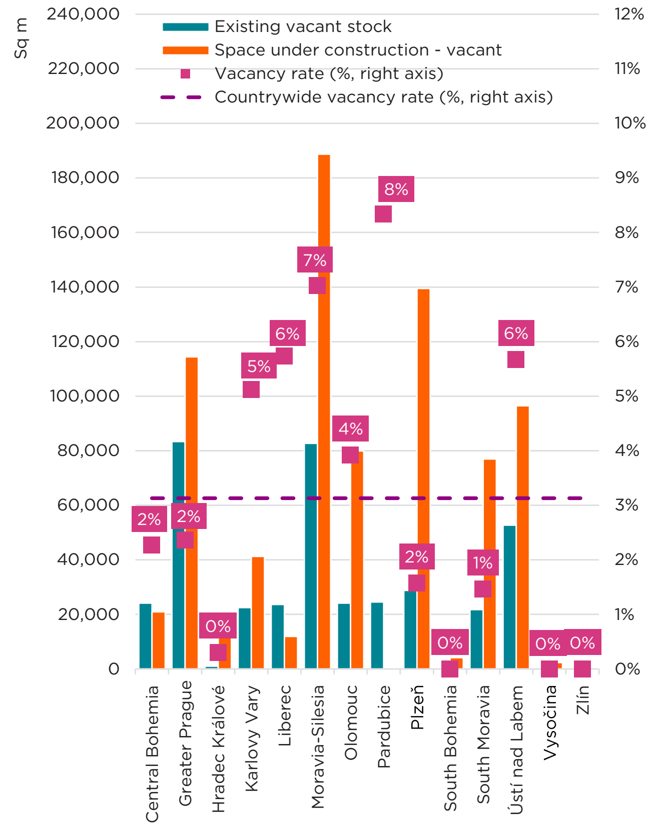
Rent Levels

- The competitive landscape has started to shift, with landlords now facing increased pressure to attract and retain tenants. Headline rents have experienced a minor downward correction, and incentives such as flexible lease terms, extended rent-free periods, and fit-out contributions have become more common as landlords seek to fill vacant units.
- In Prague, headline rents for a 5,000 sq m unit have marginally declined to €7.10 - €7.50 per sq m per month. In regional submarkets, prime headline rents have tightened to €5.50 - €6.00 per sq m per month.
- Rental rates for smaller units (below 2,000 sq m) remained unchanged from the previous quarter, ranging from €7.00 to €8.50 per sq m per month.
- Offices and sanitary areas within halls are typically leased for €9.90 - €12.00 per sq m per month and monthly service charges usually fall between €0.70 and €1.00 per leased sq m per month, charged on top of rent.

Vacancy



Vacancy in Regions



Data source: Savills

Macroeconomic highlights[1]

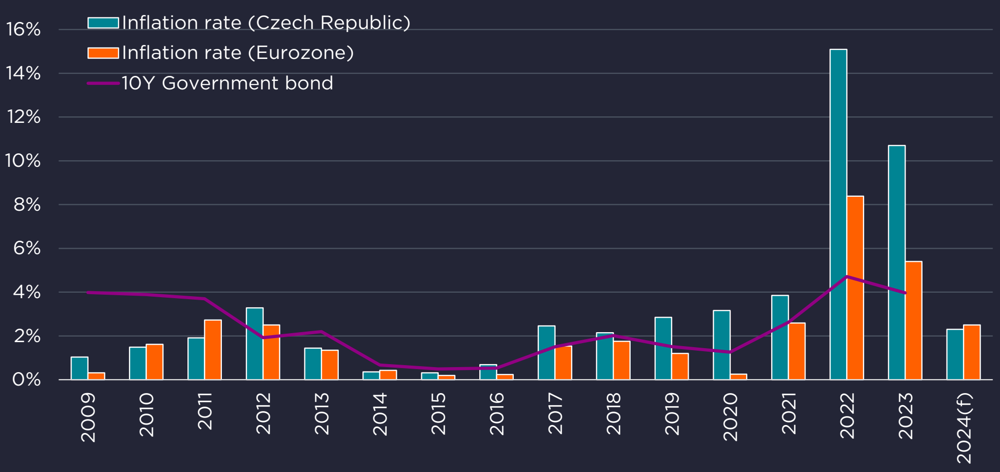
- **GDP GROWTH:** According to the revised estimate, GDP grew by 0.2% y-o-y and 0.3% q-o-q in Q1 2024. Annual GDP growth was mainly supported by higher household final consumption expenditure and external demand. The performance of the Czech economy is expected to increase by 1.4% in 2024.

- **INFLATION:** In June 2024, the price level rose by 2.0% y-o-y, with annual consumer price growth slowing by 0.6 percentage point compared with the previous month. Inflation is thus back near the CNB's 2% target after the April and May increases. According to the CNB's forecast, headline inflation should fall to 2.3% in 2024.

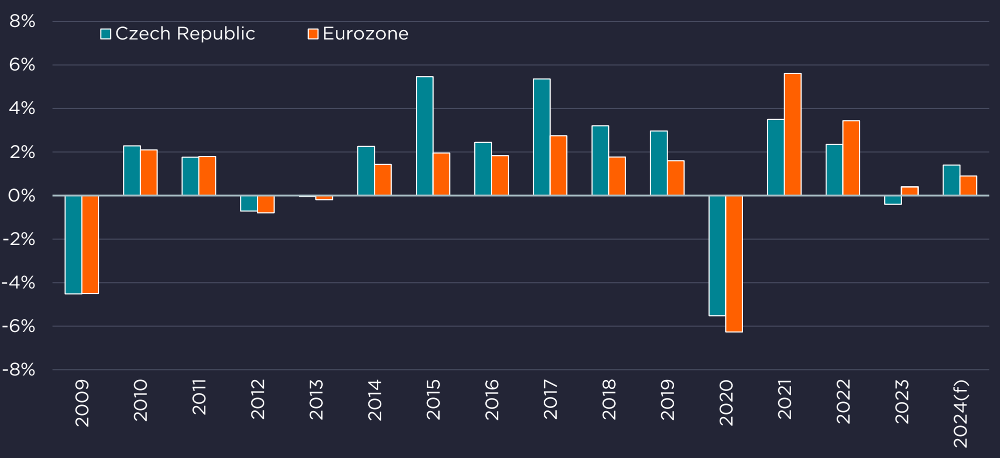
- **UNEMPLOYMENT:** The adjusted unemployment rate in the Czech Republic remained one of the lowest in the EU Member States in Q2. In May, the rate reached 2.7%, up 0.1 percentage point y-o-y. The adjusted unemployment rate stood at 2.8% in April and 3.0% in March.

- **RETAIL SALES:** Retail sales rose again y-o-y, increasing by 4.4% in real terms in May 2024. The previous month saw a y-o-y increase of 5.3% and in March it was 6.1%.

Inflation Rate and 10Y Government Bond [1]



GDP Growth [1]



2.3%
CPI INFLATION
2024 PREDICTION
(10.7% IN 2023)

1.4%
GDP GROWTH
2024 PREDICTION
(-0.4% IN 2023)

2.7%
NATIONAL
UNEMPLOYMENT
(IN MAY 2024)

€1,462
GROSS MONTHLY SALARY
(NATIONAL MEDIAN IN
Q1 2024)

+4.4% YoY
RETAIL SALES
(IN MAY 2024)

3.8%
3M EURIBOR
(Q2 2024)

5.3%
3M PRIBOR
(Q2 2024)

1) Based on the data available on 15/07/2024 (Source: Czech Statistical Office, Czech National Bank, Ministry of Finance, European Central Bank)

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.

Savills Czech Republic & Slovakia

We provide bespoke services for landowners, developers, occupiers and investors across the lifecycle of residential, commercial or mixed-use projects. We add value by providing our clients with research-backed advice and consultancy through our market-leading global research team.

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