

Czech Republic Industrial Market

savills



Quarterly Statistics

Total Stock

12.66
million sq m

Q3 2023: 11.9 mil. sq m
YoY change: +6%

Gross Take-Up

341,400
sq m

Q3 2023: 300,200 sq m
YoY change: +14%

Net Take-Up

212,400
sq m

Q3 2023: 181,200 sq m
YoY change: +17%

Vacancy Rate

3.6
%

Q3 2023: 2.1%
YoY change: +150 bps

Completions

155,900
sq m

Q3 2023: 207,800 sq m
YoY change: -25%

Economic Indicators¹

GDP Growth

+0.6%
(in Q2 2024, YoY)

2023: -0.4%
2024 Forecast: +1.1%

Inflation

2.6%
(in Sept 2024, YoY)

2023: +10.7%
2024 Forecast: +2.2%

Policy Rates

3.6%
3M EURIBOR²

2023: 3.4%
2024 Forecast: 3.6%

Unemployment

2.7%
(in Aug 2024)

2023: 2.6%
2024 Forecast: 2.8%

Gross Monthly Salary

€1,544
(national median)³

Q2 2023: €1,561
YoY change: +4.7%

¹) Based on the data available on 15/10/2024 (Source: Czech Statistical Office, Czech National Bank, Ministry of Finance, European Central Bank)

²) Q3 2024 average

³) in Q2 2024

Industrial market highlights

- New premises delivered to the market during the first three quarters of the year totalled 497,600 sq m, a 28% y-o-y decrease. Total existing rentable and rented stock reached 12.66 million sq m, with the Greater Prague submarket accounting for 3.55 million sq m.
- The nationwide vacancy rate continued its upward trend, reaching 3.6%, the highest level since Q3 2020.
- The construction pipeline remains robust, with 1.48 million sq m either under construction or completed to a shell & core finish. Of this space, 47% was still available for lease at the end of September 2024.
- Total leasing activity for the first nine months of the year reached 1,026,700 sq m, showing an 18% y-o-y decline. Lease renewals constituted one-third of the year-to-date gross take-up. Considering the current market dynamics, the annual gross take-up for 2024 is expected to fall short of 2023 levels.
- Net demand for the first three quarters of 2024 totalled 680,500 sq m, marking a y-o-y decrease of just 4%. The largest share of these new commitments was recorded in the Moravian-Silesian region (20%), followed by the Greater Prague submarket (17%). Manufacturing companies accounted for nearly 56% of the year-to-date net take-up.

Quarterly market statistics

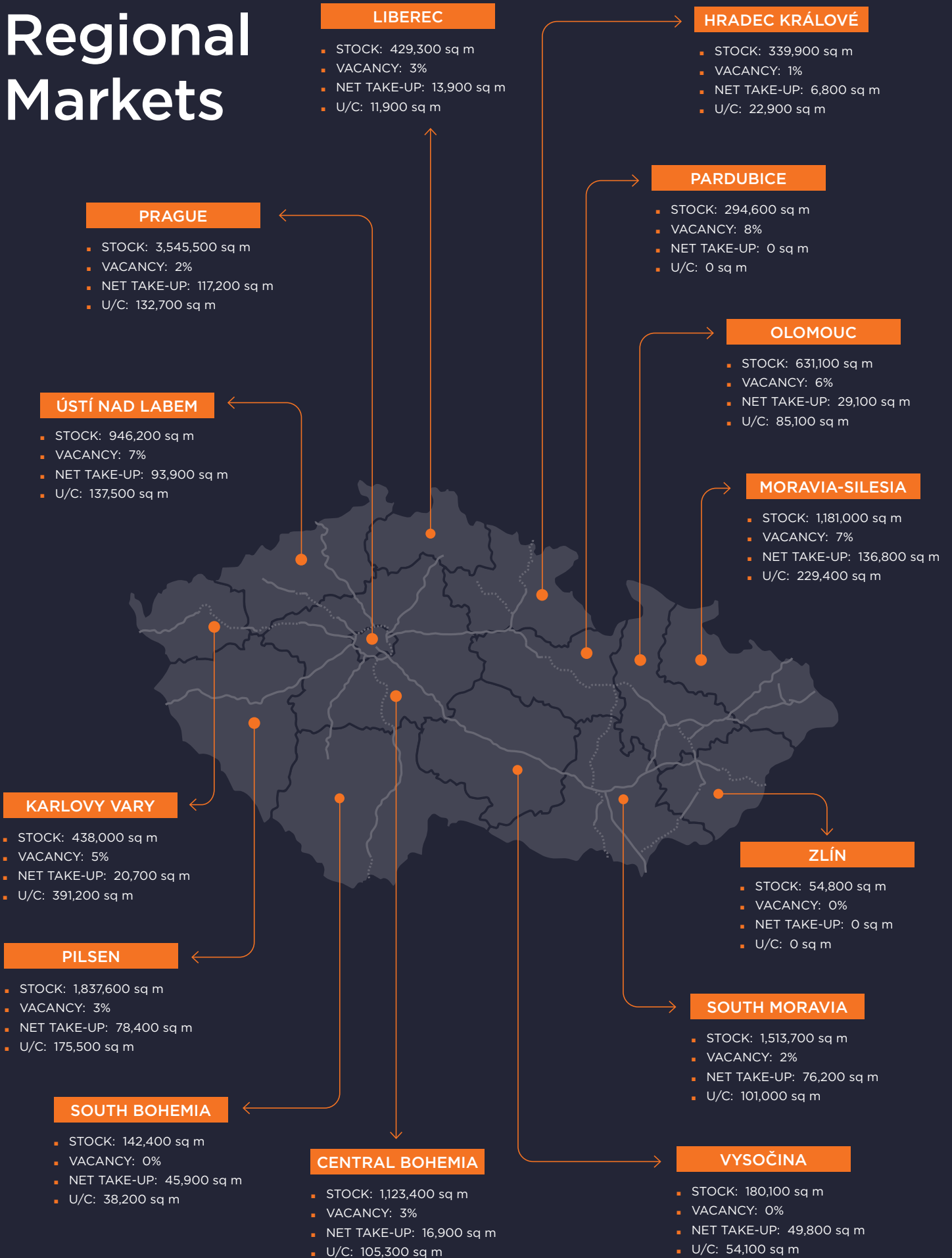
Key Market Indicators	Gross Take-up (sq m)	Net Take-up (sq m)	New Completions (sq m)	Vacancy at Quarter End
Current quarter	341,400	212,400	155,900	3.6%
Previous quarter	449,700	303,300	186,100	3.1%
YoY movement	+14%	+17%	-25%	+150 bps

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	1,026,700	680,500	497,600	12,657,600
YoY movement	-18%	-4%	-28%	+6%



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 Q3 2024

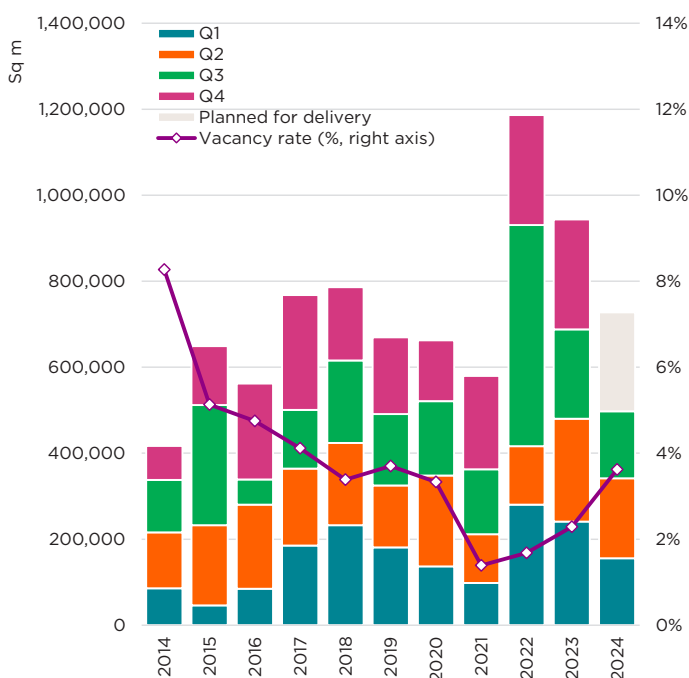
New Supply and Construction Pipeline

- This quarter saw 16 developments reach completion, contributing over 155,900 sq m to the existing inventory. This marks a 16% decline compared to the previous quarter and a 25% decrease y-o-y. Of this new supply, 74% was already pre-leased.
- Over 40% of this quarter's new space was delivered to the Central Bohemian region. The Ústí nad Labem and Liberec regions followed, each accounting for 11% of Q3 completions.
- Despite a slight contraction, the development pipeline remains strong with over 1.48 million sq m under way nationwide and a 53% pre-let rate. The Karlovy Vary region continues to lead in terms of floorspace under construction, followed by the Moravian-Silesian region, however, construction activity is underway in 12 of the 14 Czech regions, all of which have some speculative developments available.
- The total volume of speculative developments under way exceeds 693,000 sq m, with the largest shares in the Moravian-Silesian region (26%) and the Pilsen region (16%). The largest available units are located in the Pilsen, Ústí nad Labem, and Moravian-Silesian regions, but also in the vicinity of Prague.

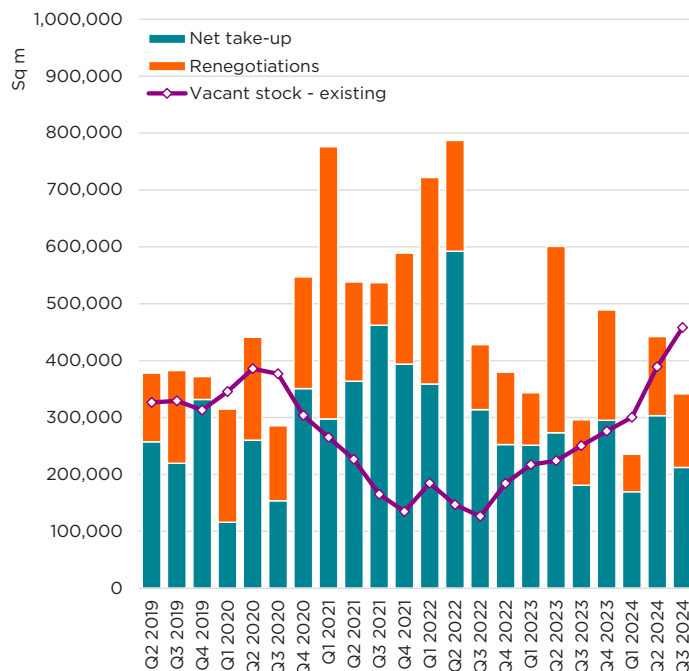
Occupier Demand

- In Q3 2024, the Czech Republic recorded total leasing activity of 341,400 sq m, marking a 24% decline compared to the previous quarter, yet remaining 14% higher than the corresponding period in 2023. For perspective, the 10-year average for this quarter is 370,300 sq m. Lease renewals represented 38% of the gross take-up in Q3 2024.
- New leasing activity totalled 212,400 sq m, representing a 30% decrease from the previous quarter and 9% below the 10-year average for this period. On a positive note, it was still 17% higher than Q3 2023 levels. Propelled by the largest transaction of the quarter, the South Moravian region accounted for a quarter of the net take-up, followed by the Ústí nad Labem region (22%). The Greater Prague area recorded the third-highest volume of new commitments, making up 18% of the net take-up this quarter, with the majority of leasing concentrated in second-hand units.
- Tenants from the manufacturing sector continue to lead the industrial leasing market in the country, accounting for a substantial portion of net take-up, gross take-up, and even lease renewals in Q3 2024.

New Supply



Take-up



Market Review Q3 2024

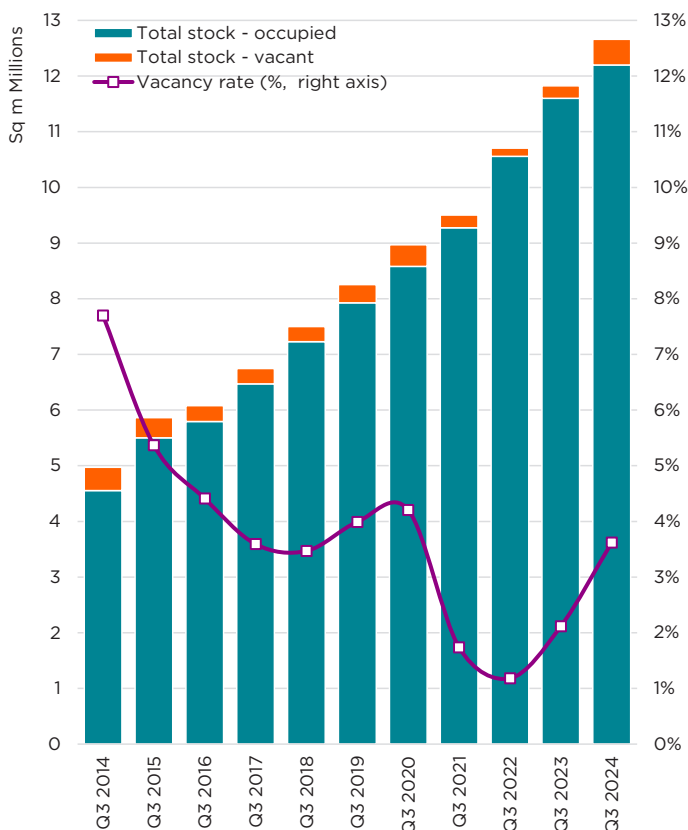
Vacancy Rate

- The national vacancy rate climbed by 49 bps from the prior quarter, marking its eighth consecutive quarterly increase. This uptick was largely fuelled by the influx of second-hand units returning to the market, coupled with the completion of multiple speculative projects this quarter. Nevertheless, despite this sustained upward trend, the current vacancy rate of 3.6% remains one of the lowest among CEE countries.
- In terms of floor area, 458,000 sq m of the existing stock was unoccupied at the end of Q3. When excluding office and sanitary space, the available purely industrial space totalled 415,100 sq m.
- The geographical distribution of vacant space remained unchanged, with the Moravian-Silesian region leading, followed by the Greater Prague area and the Ústí nad Labem region.
- The Greater Prague area reported a vacancy rate of 2.3% this quarter, an increase of just 1 bps q-o-q. The bulk of immediately available space is concentrated on the western outskirts of Prague; however, most of these units are under 5,000 sq m in size.

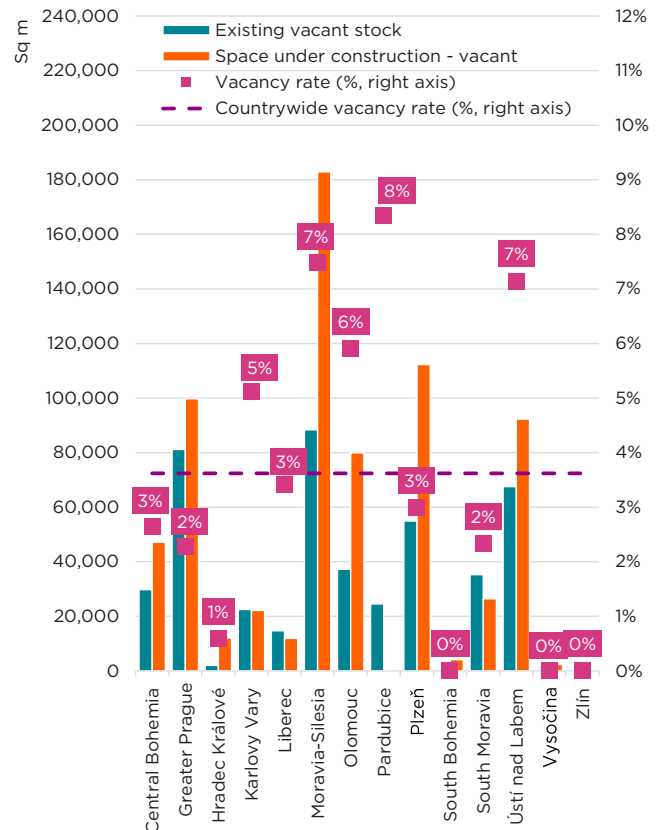
Rent Levels

- From the previous quarter, headline rents in Prague remained relatively stable, ranging from €7.00 to €7.50 per sq m per month for units of 5,000 sq m. In contrast, regional submarkets experienced a slight decline, now reflecting a rental range of €5.30 to €6.00 per sq m per month.
- Similarly, rents for smaller units, defined as those under 2,000 sq m, also saw a modest decrease, now standing at €6.50 to €8.50 per sq m per month.
- Offices and sanitary areas within industrial halls continue to be leased at €9.90 to €12.00 per sq m per month, with monthly service charges ranging from €0.90 to €1.10 per leased sq m.
- Tenants have become more selective, adopting a cautious approach to leasing decisions. Consequently, some speculative developments remain vacant, reflecting the ongoing subdued demand within the market. In a y-o-y comparison, both headline and effective rents have undergone a downward adjustment of approximately 5%.

Vacancy



Vacancy in Regions



Macroeconomic highlights¹

- GDP GROWTH:** The refined estimate from the CZSO shows that GDP grew by 0.6% y-o-y in Q2 2024 and by 0.4% q-o-q. According to the latest MFCR forecast, the economy is expected to expand by 1.1% in 2024 and 2.7% in 2025.
- INFLATION:** In September 2024, consumer prices increased by 2.6% y-o-y, which is 0.4 percentage points higher than the rise in August. This acceleration in annual price growth was mainly driven by price developments in the food and non-alcoholic beverages and transport divisions. Based on the CNB forecast, the headline inflation could reach 2.2% in 2024, 2.0% in 2025 and 2.0% in 2026.
- UNEMPLOYMENT:** The unemployment rate, representing the percentage of unemployed individuals within the total labour force (both employed and unemployed, or economically active persons), stood at 2.7% in August 2024, remaining unchanged y-o-y. The unemployment rate for men was 2.2%, while for women it was 3.3%.
- RETAIL SALES:** In August 2024, retail trade sales rose by 5.3% in real terms compared to the same month last year (y-o-y). On a m-o-m basis, sales increased by 0.1%.

+1.1%

GDP GROWTH
2024 PREDICTION
(-0.4% IN 2023)

+2.2%

CPI INFLATION
2024 PREDICTION
(+10.7% IN 2023)

2.7%

NATIONAL
UNEMPLOYMENT
(IN AUGUST 2024)

+5.3% YoY

RETAIL SALES
(IN AUGUST 2024)

€1,544

GROSS MONTHLY SALARY
(NATIONAL MEDIAN IN Q2
2024)

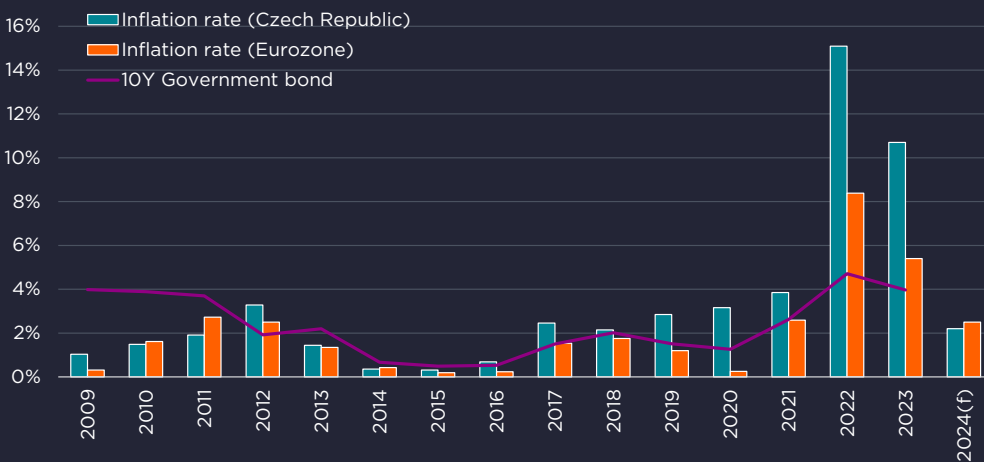
3.6%

3M EURIBOR
(Q3 2024)

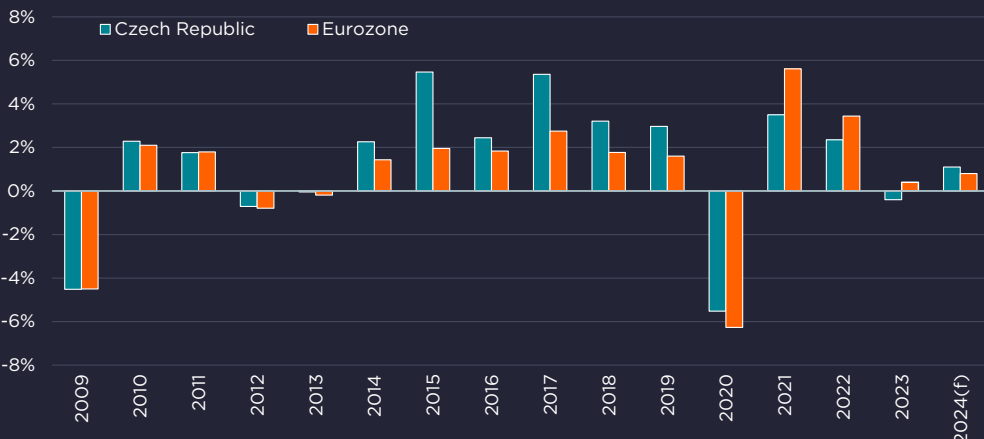
4.4%

3M PRIBOR
(Q3 2024)

Inflation Rate and 10Y Government Bond¹



GDP Growth¹



¹) Based on the data available on 15/10/2024 (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.



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