

# CZECH INDUSTRIAL

QUARTERLY MARKET  
UPDATE

OCTOBER 2023



# CZECH INDUSTRIAL MARKET UPDATE

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## 01

MARKET SUMMARY

## 02

SUPPLY & DEMAND

## 03

MARKET TERMS

## 04

SUBMARKETS OVERVIEW



01

**MARKET OVERVIEW  
SUMMARY**

# ECONOMIC OVERVIEW

## Czechia's economy will gradually emerge from its recent period of stagnation

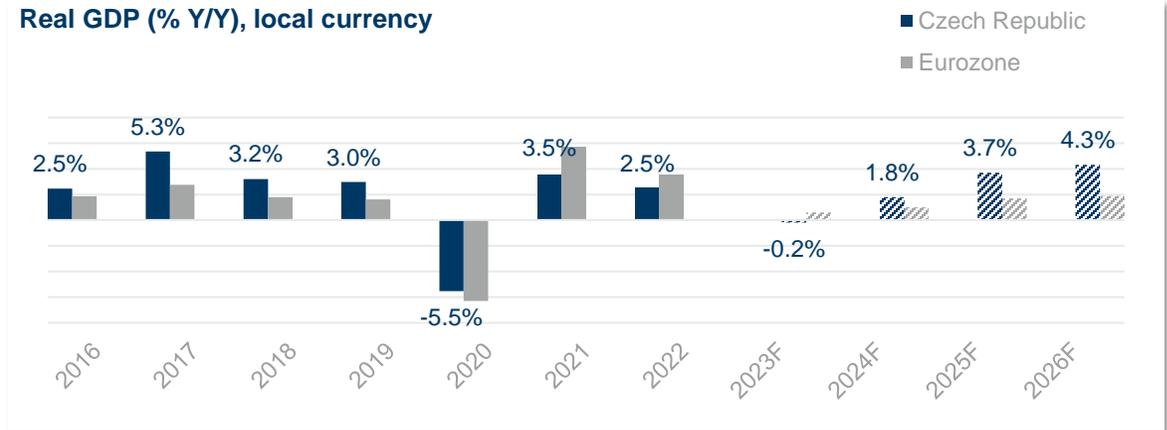
The **Czech economy** showed almost no growth in the first half of 2023, as subdued household demand was balanced by a more robust performance in net exports. In line with the forecast by Moody's Analytics, the direction of private consumption reversed during the second quarter of 2023, showing signs of improvement after six consecutive quarters of decline.

Due to the central bank's decision to maintain **policy rates** at restrictive levels, elevated interest rates have had a dampening effect on both private consumption and fixed investments, particularly impacting the components of investment that are sensitive to interest rates.

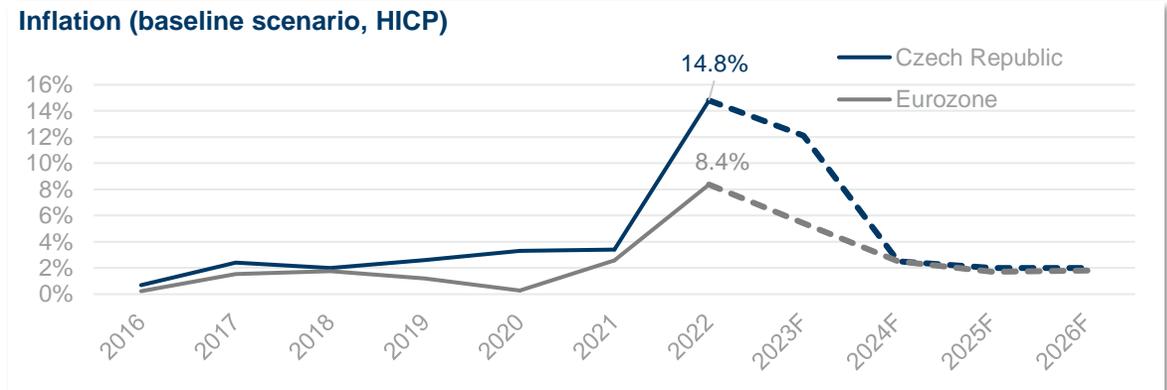
The **labor market** has demonstrated its resilience in the face of the economic slowdown. Even with modest economic growth and an influx of refugees from Ukraine, the unemployment rate has experienced only a slight increase and is projected to remain stable at its current levels in the upcoming quarters.

Thus far, the large **manufacturing sector** in Czechia has weathered recent economic and political challenges relatively effectively. Notably, the automotive industry played a crucial role, with car production bouncing back to pre-pandemic levels. However, the trajectory of industrial production is now trending downward, as the initial boost from addressing supply bottlenecks has waned. Additionally, the substantial backlog of unfinished orders is gradually diminishing.

Real GDP (% Y/Y), local currency



Inflation (baseline scenario, HICP)

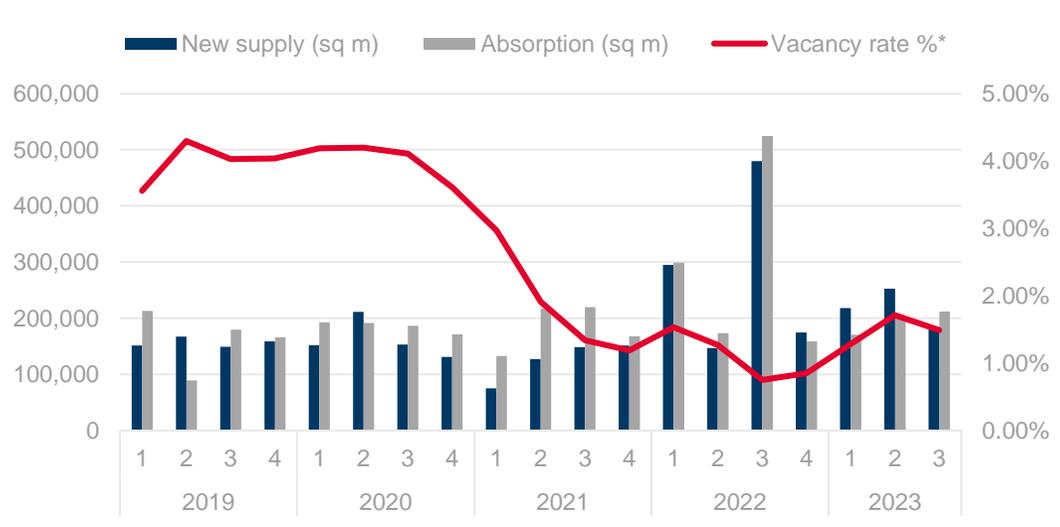


Source: Moody's Analytics

# MARKET SUMMARY

The total modern industrial stock reached over 11.4 million sq m in the third quarter of 2023. With a significant number of projects' completions postponed to 2024, it most likely won't reach the 12 million sq m mark by the end of the year.

<b>Q3 2023:</b>	<b>11,442,100</b>	<b>1,410,500</b>	<b>1.5%</b>	<b>653,200</b>	<b>584,200</b>	<b>7.75 €</b>	<b>5.00%</b>
	Total stock	Under construction	Vacancy rate	YTD New supply	YTD absorption	Prime rent	Prime yield
<b>YoY change:</b>	<b>8%</b>	<b>18%</b>	<b>0.7 pp</b>	<b>-29%</b>	<b>-41%</b>	<b>7%</b>	<b>75 bps</b>



## Top 5 completions in Q3 2023

Building	GLA (sq m)	Developer	Region
GLP Park Brno Holubice	45,500	GLP	South Moravia region
Panattoni Park Pilsen West II	25,100	Panattoni	Pilsen region
Industrial Park Pardubice – Rosice	17,000	PS Brno	Pardubice region
P3 Ostrava Central	14,500	P3	Moravia-Silesia region
Cromwell Park Lovosice	12,900	Cromwell	Usti nad Labem region

\* End of period value.

Source: Industrial Research Forum

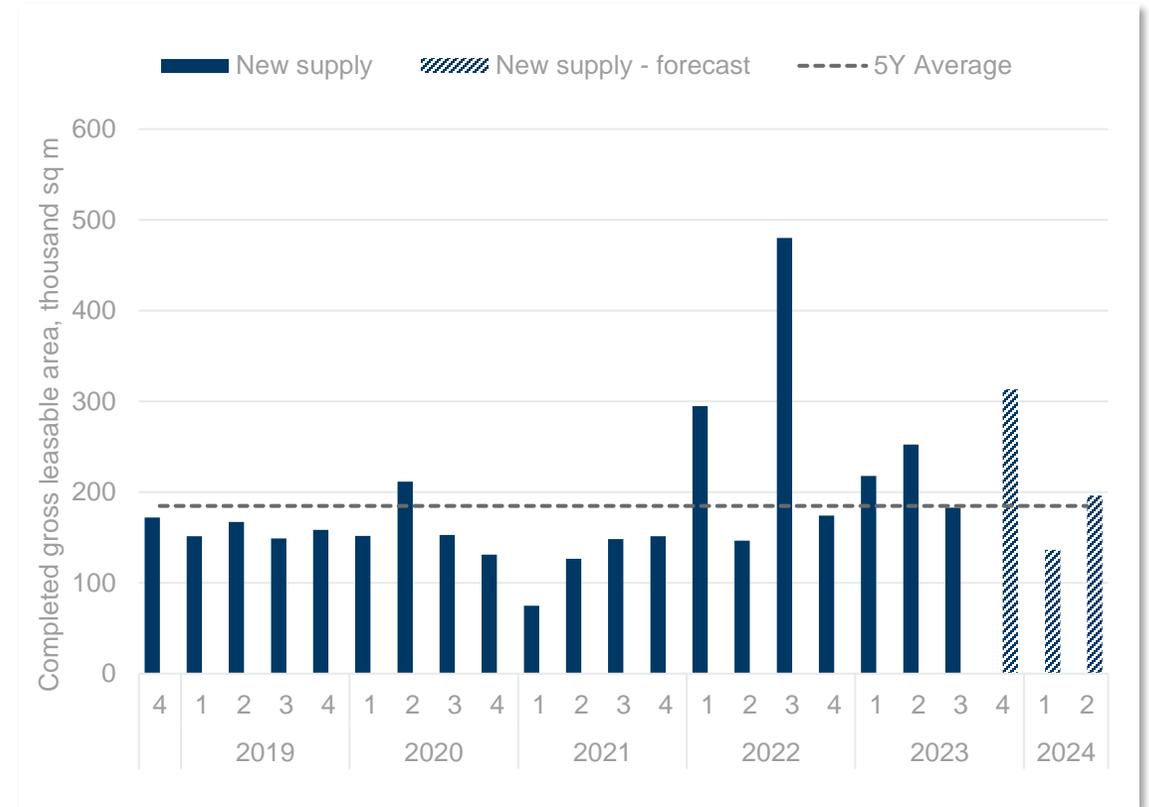
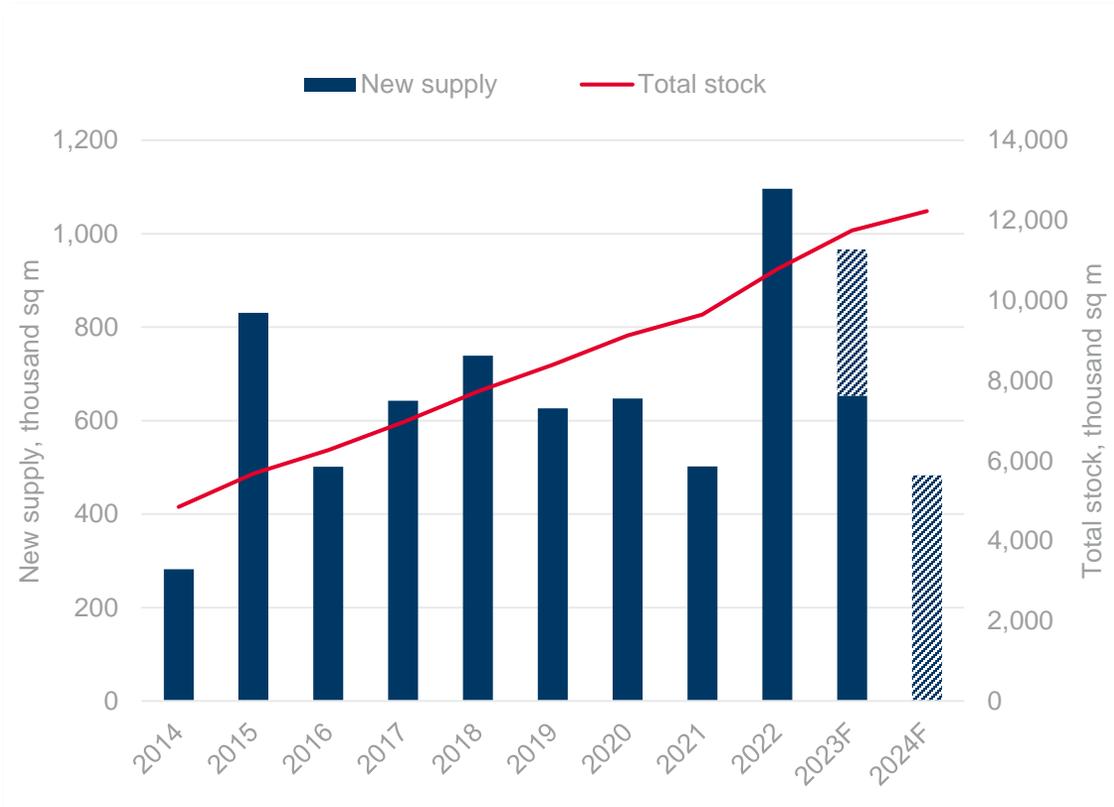


02

**SUPPLY & DEMAND**

# NEW INDUSTRIAL SUPPLY

New supply reached 182,800 sq m in Q3 2023, keeping slightly below the 5-year average. Another 310,000 sq m is expected to be delivered by the end of 2023.



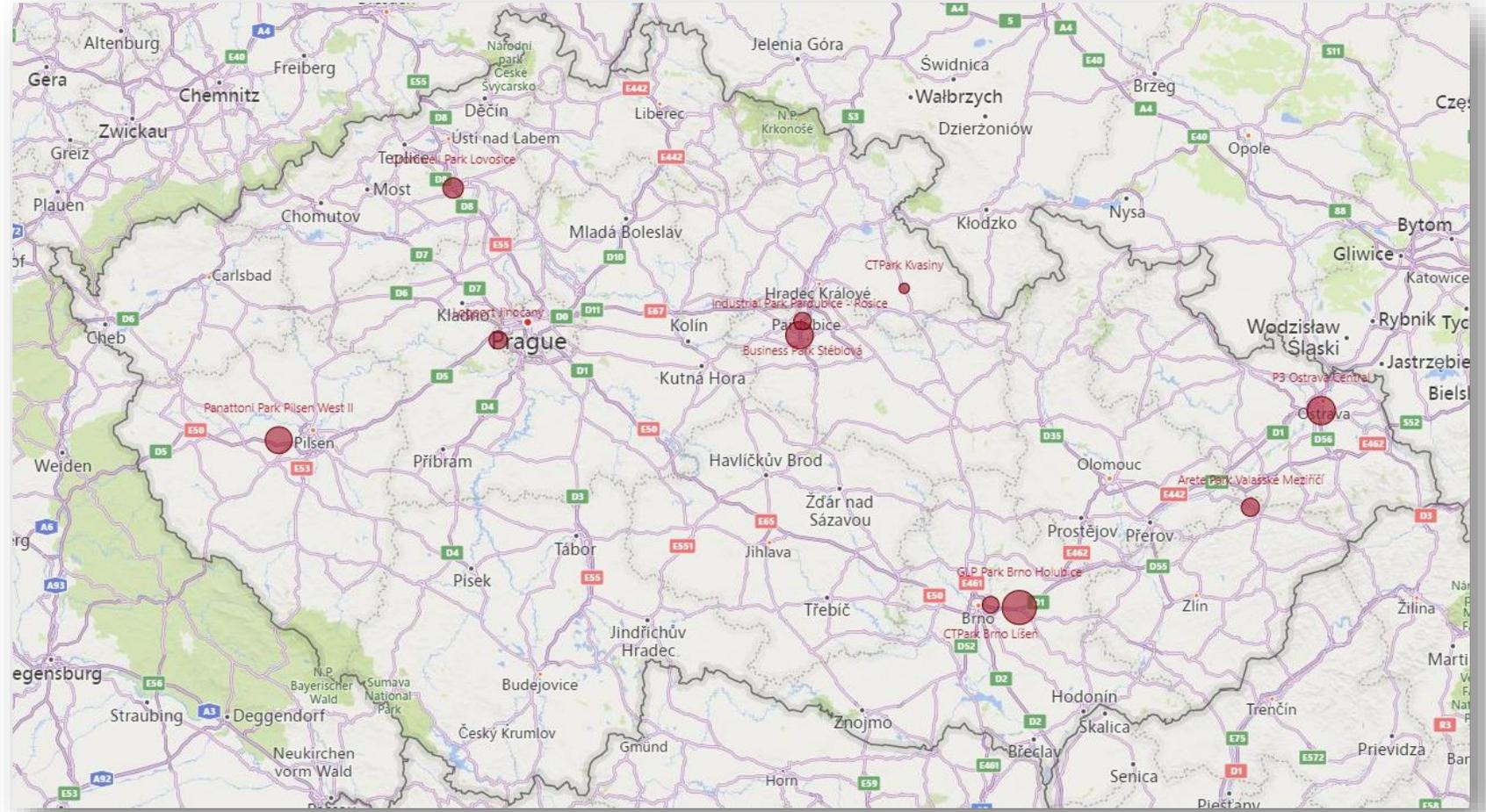
Source: Industrial Research Forum

# PROJECTS COMPLETED IN Q3 2023

In Q3 2023, 182,800 sq m were delivered to the market within 10 industrial parks across the Czech Republic.

## Top 10 largest projects completed in Q3 2023

Project name	GLA (sq m)
GLP Park Brno Holubice	45,500
P3 Ostrava Central	28,700
Industrial Park Pardubice – Rosice	26,500
Panattoni Park Pilsen West II	25,100
Cromwell Park Lovosice	12,900
Arete Park Valašské Meziříčí	10,200
Logport Jinočany	10,000
Business Park Stéblová	9,500
CTPark Brno Líšeň	8,700
CTPark Kvasiny	5,800

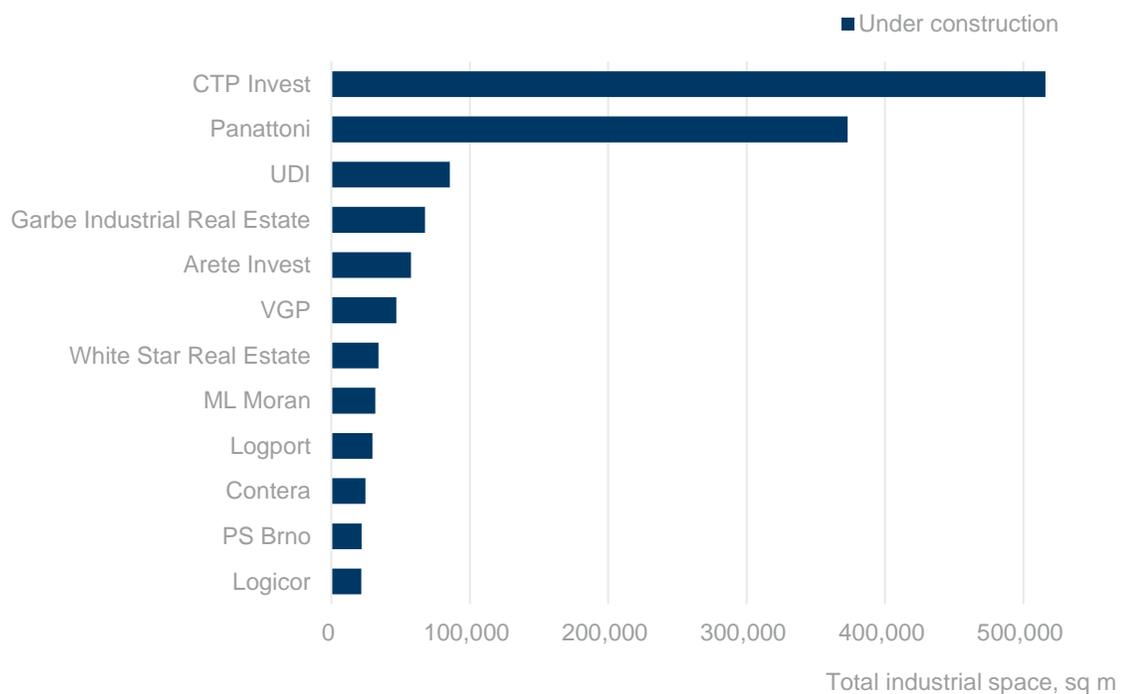


Source: Industrial Research Forum

# INDUSTRIAL PIPELINE

The construction of 259,500 sq m commenced in Q3 2023, representing a decrease of 28% compared to the same period last year. In total, 1,410,500 sq m were under construction at the end of September 2023, with around 41% available. Next quarter, 313,500 sq m within 19 industrial parks should be completed.

Top developers by size of space currently under construction



Top projects to be completed in Q4 2023

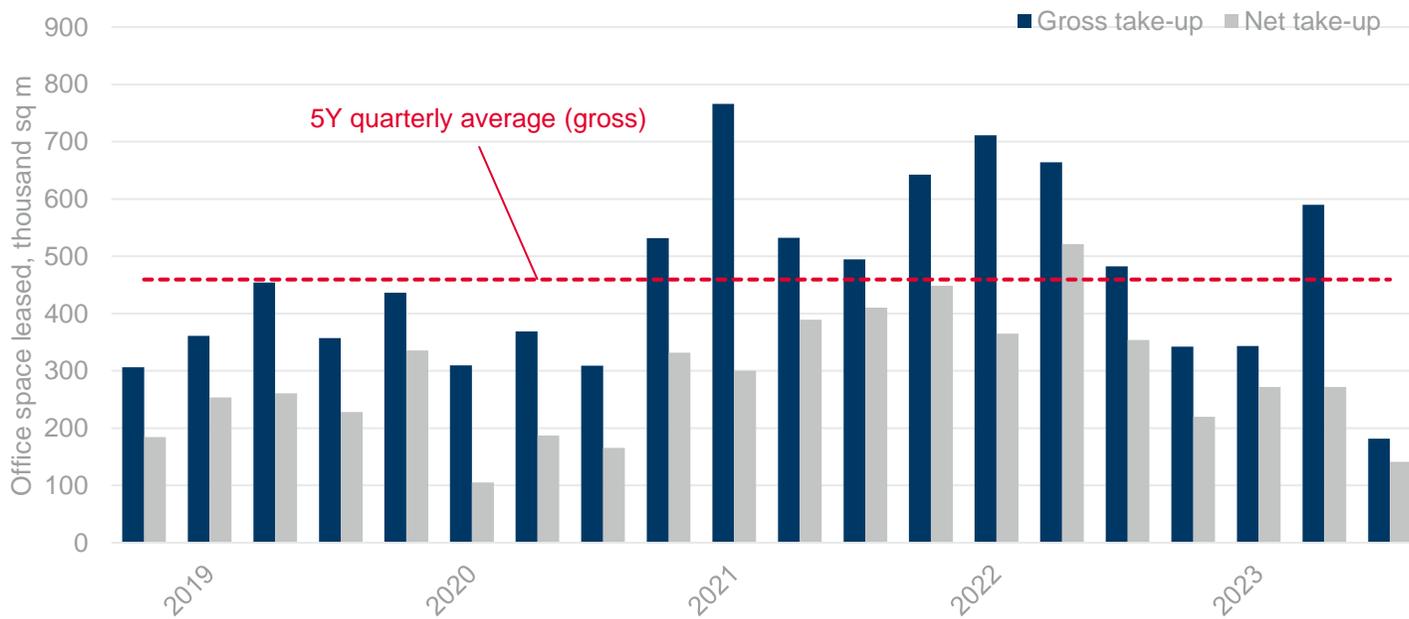
Project name	Developer	Region	GLA (sq m)
Logistické centrum Přebýšov	UDI	Pilsen region	50,500
Arete Park Rokycany II.	Arete Invest	Pilsen region	29,500
Garbe Park Chomutov	Garbe Industrial Real Estate	Usti nad Labem region	29,100
VGP Park Ústí nad Labem City	VGP	Usti nad Labem region	22,800
MD Logistika Dašice	MD Logistika	Pardubice region	21,500
Garbe Park České Budějovice	Garbe Industrial Real Estate	South Bohemia region	20,000
Garbe Park Chomutov II	Garbe Industrial Real Estate	Usti nad Labem region	18,500
CBPI Business Park	Crowdberry	Liberec region	18,000
CTPark Brno Líšeň	CTP Invest	South Moravia region	15,800

Source: Industrial Research Forum

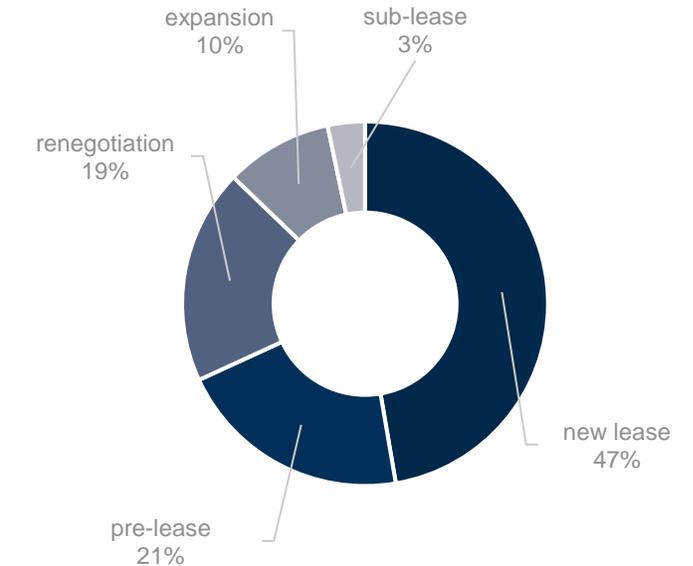
# INDUSTRIAL TAKE-UP

In Q3 2023, gross take-up reached 181,600 sq m, keeping very low below the 5y average. New leases accounted for almost a half of it.

Gross take-up amounted to 181,600 sq m in Q3 2023, representing a decrease of 69% compared to the previous quarter and a decrease of 62% compared to the same period last year.



Take-up structure in Q3 2023

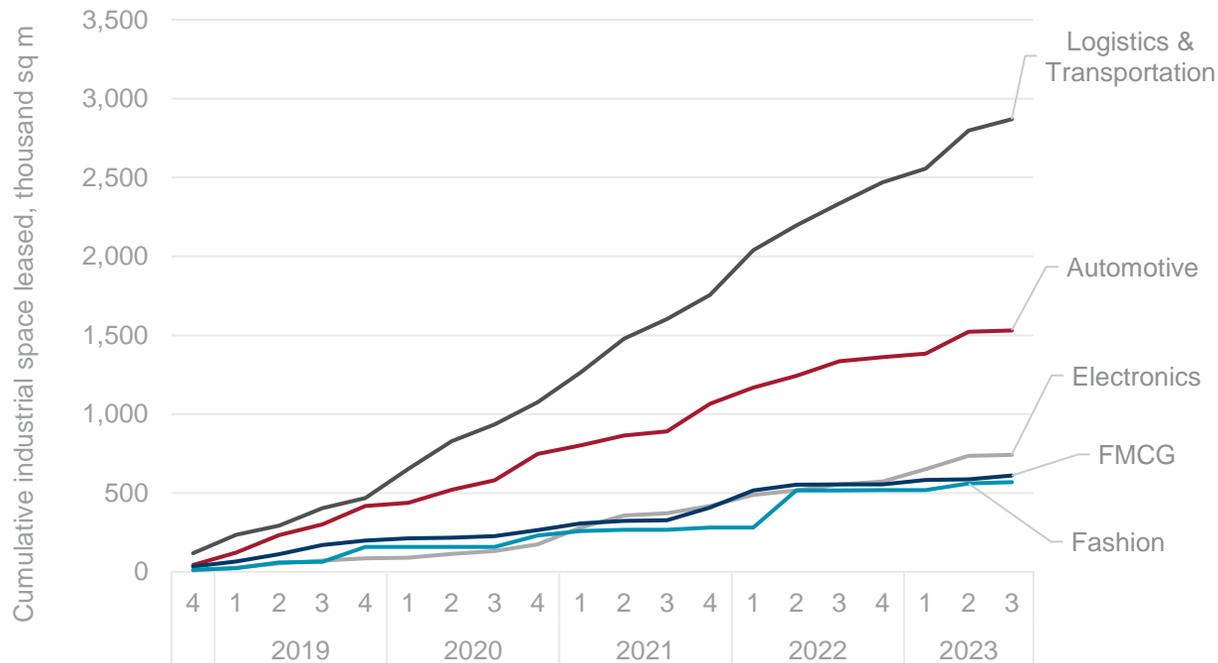


Source: Industrial Research Forum

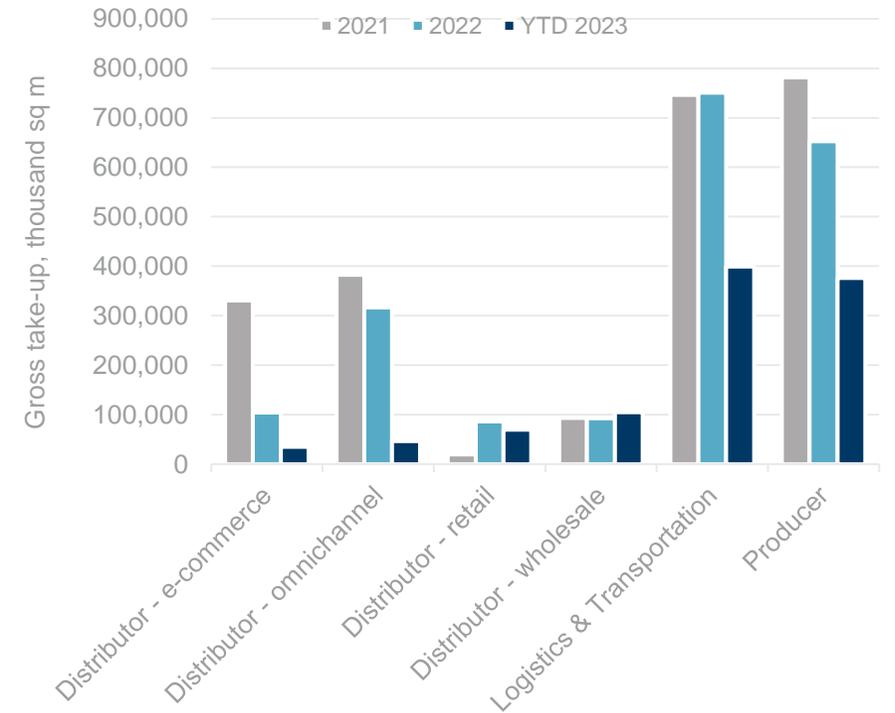
# OCCUPIER'S FOCUS

Demand was driven by logistics & transportation companies in Q3 2023.

In terms of industry of the companies, other than logistics, personal goods & FMCG companies leased the most space in Q3 2023.



Distribution companies accounted for 44% of net take-up in Q3 2023.



Source: Industrial Research Forum

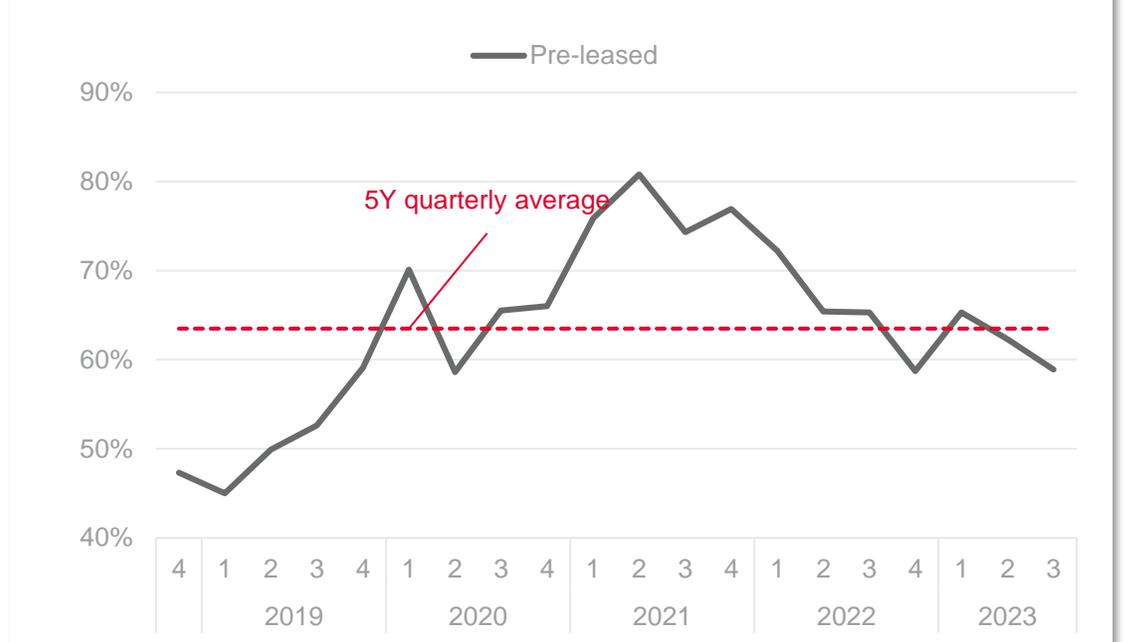
# VACANCY RATE

The vacancy rate slightly decreased in Q3 2023, reaching 1.5%. That represents a 0.2 pp decrease compared to Q2 2023. No major increase in the vacancy rate is expected in the upcoming quarters.

At the end of Q3 2023, 170,400 sq m of the industrial area remained vacant, representing a 11% decrease compared to the previous quarter and a 113% increase compared to the same period last year.



Around 59% of space under construction was pre-leased in Q3 2023, falling slightly below the 5-year quarterly average.



Source: Industrial Research Forum



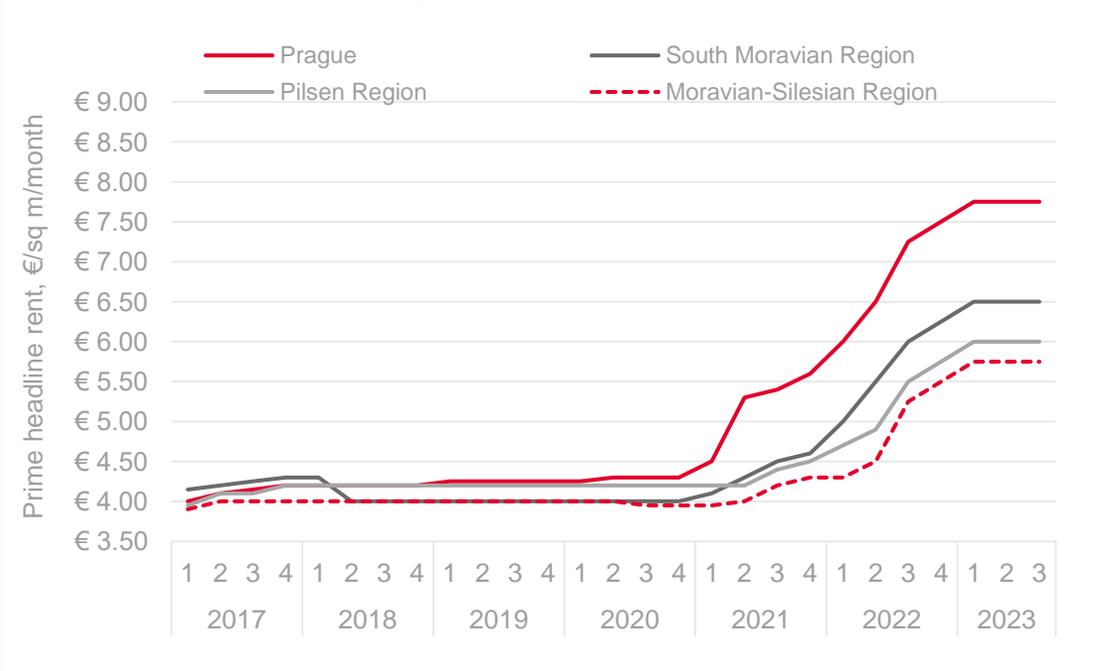
03

**MARKET TERMS**

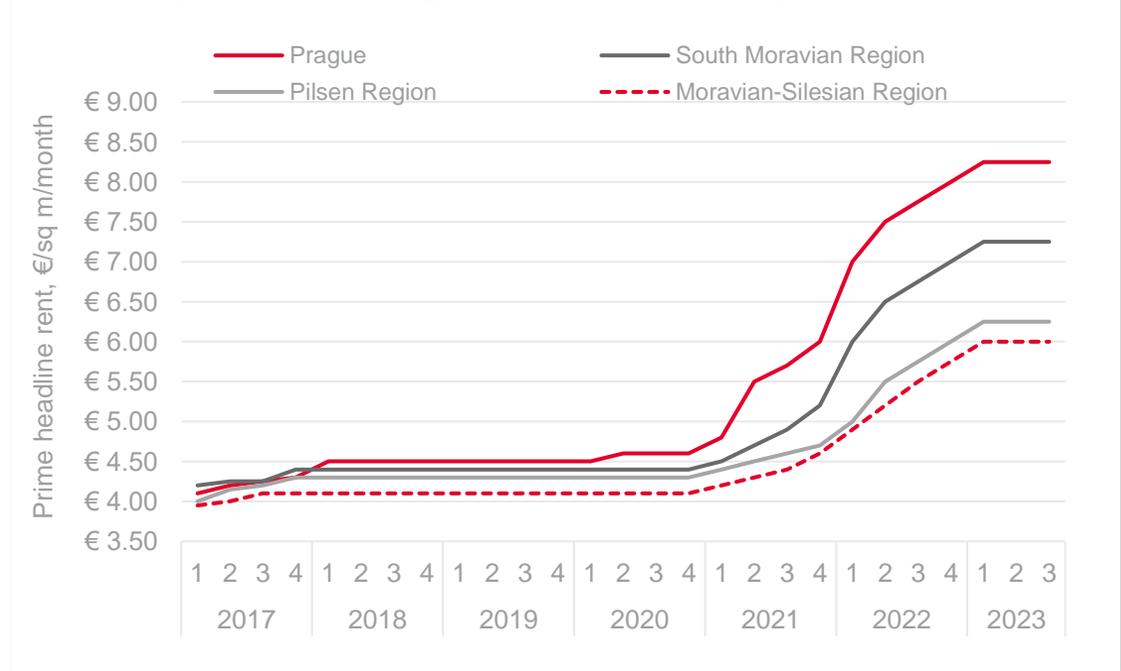
# OCCUPATIONAL COSTS

All major industrial regions have experienced unprecedented rental growth since the end of 2020. In Q3 2023, prime headline rent increased by 7% compared to the same period of 2022, reaching up to €7.75/sq m in Prague. Nonetheless, no further growth is expected throughout 2023.

Industrial prime rents in logistics (10,000 sq m)



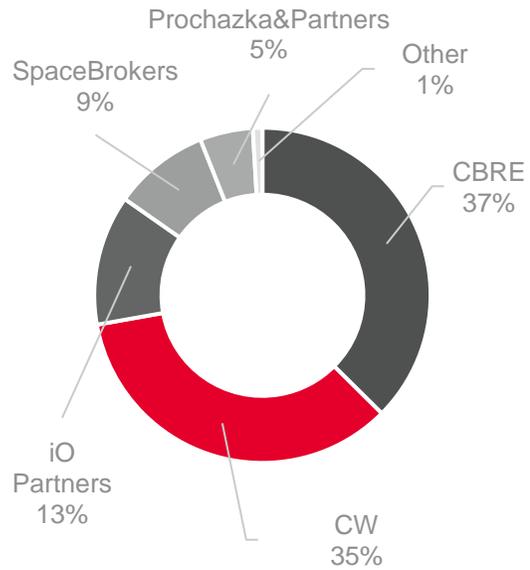
Industrial prime rents in logistics (1,000 – 2,000 sq m)



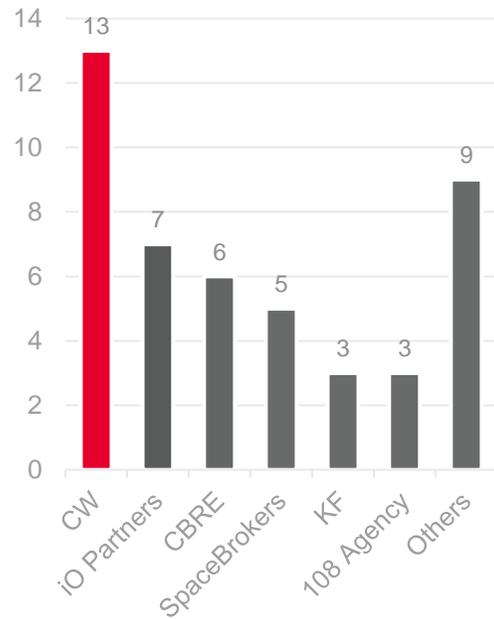
# C&W INDUSTRIAL AGENCY

Cushman & Wakefield remains among top agencies representing landlords and tenants.

## Market share in Q3 2023



## Total number of closed deals in 2023 (YTD)



Source: Industrial Research Forum





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# 04

**SUBMARKETS  
OVERVIEW**

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# REGIONAL OVERVIEW

## KARLOVY VARY REGION

Stock 377,200 sq m  
Under construction 391,500 sq m  
Vacancy rate 3.0%

## ÚSTÍ NAD LABEM REGION

Stock 771,200 sq m  
Under construction 151,800 sq m  
Vacancy rate 2.7%

## LIBEREC REGION

Stock 367,200 sq m  
Under construction 49,600 sq m  
Vacancy rate 0.0%

## HRADEC KRÁLOVÉ REGION

Stock 225,300 sq m  
Under construction 0 sq m  
Vacancy rate 1.9%

## OLOMOUC REGION

Stock 592,700 sq m  
Under construction 47,500 sq m  
Vacancy rate 3.2%

## PARDUBICE REGION

Stock 252,200 sq m  
Under construction 43,300 sq m  
Vacancy rate 0.0%

## MORAVIA-SILESIA REGION

Stock 1,124,100 sq m  
Under construction 152,200 sq m  
Vacancy rate 5.7%  
Headline rents (10,000 sq m) 5.75 EUR/ sq m/month  
Headline rents (1,000-2,000 sq m) 6.00 EUR/sq m/month

## PRAGUE & CENTRAL BOHEMIA

Stock	4,323,100 sq m
Under construction	138,300 sq m
Vacancy rate	1.0%
Headline rents (10,000 sq m)	7.75 EUR/ sq m/month
Headline rents (1,000-2,000 sq m)	8.25 EUR/sq m/month

## PILSEN REGION

Stock	1,722,600 sq m
Under construction	223,700 sq m
Vacancy rate	0.2%
Headline rents (10,000 sq m)	6.00 EUR/ sq m/month
Headline rents (1,000-2,000 sq m)	6.25 EUR/sq m/month

## SOUTH BOHEMIA REGION

Stock 74,500 sq m  
Under construction 34,100 sq m  
Vacancy rate 0.0%

## VYSOČINA REGION

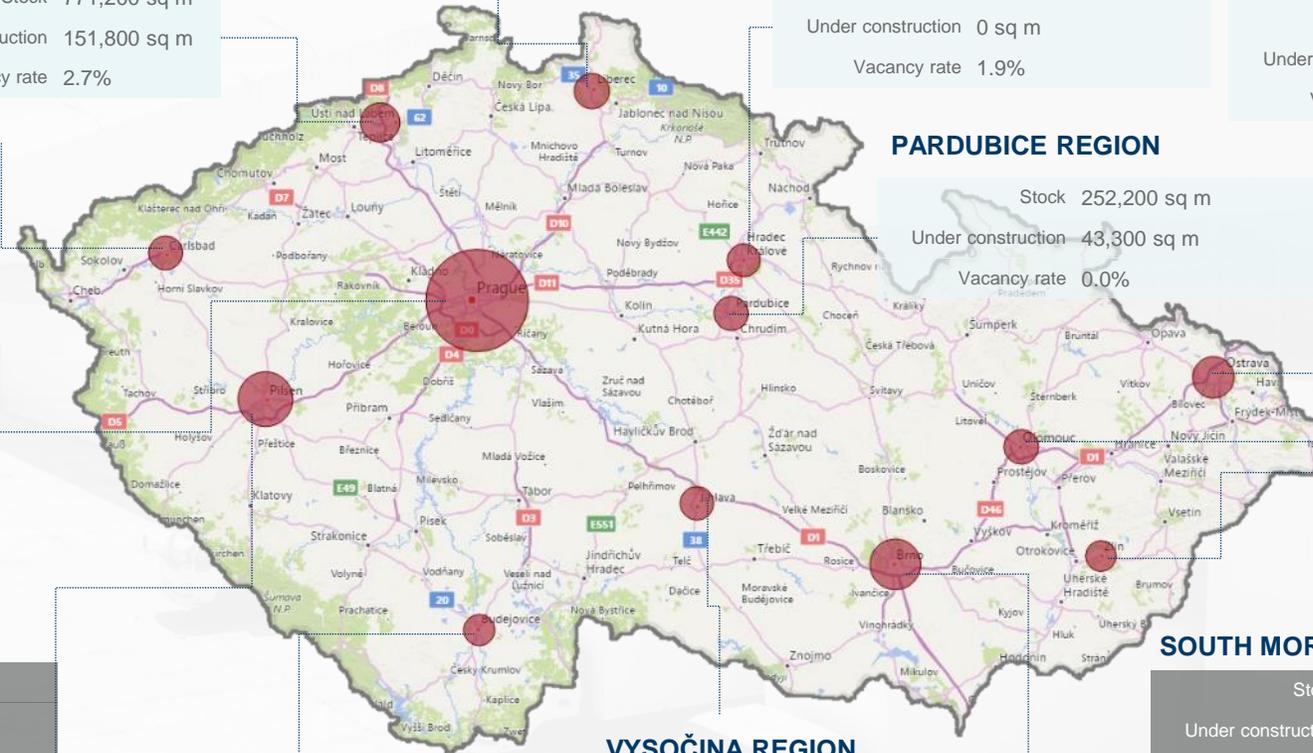
Stock 194,200 sq m  
Under construction 6,200 sq m  
Vacancy rate 0.0%

## SOUTH MORAVIA REGION

Stock	1,378,400 sq m
Under construction	161,500 sq m
Vacancy rate	0.3%
Headline rents (10,000 sq m)	6.50 EUR/ sq m/month
Headline rents (1,000-2,000 sq m)	7.25 EUR/sq m/month

## ZLÍN REGION

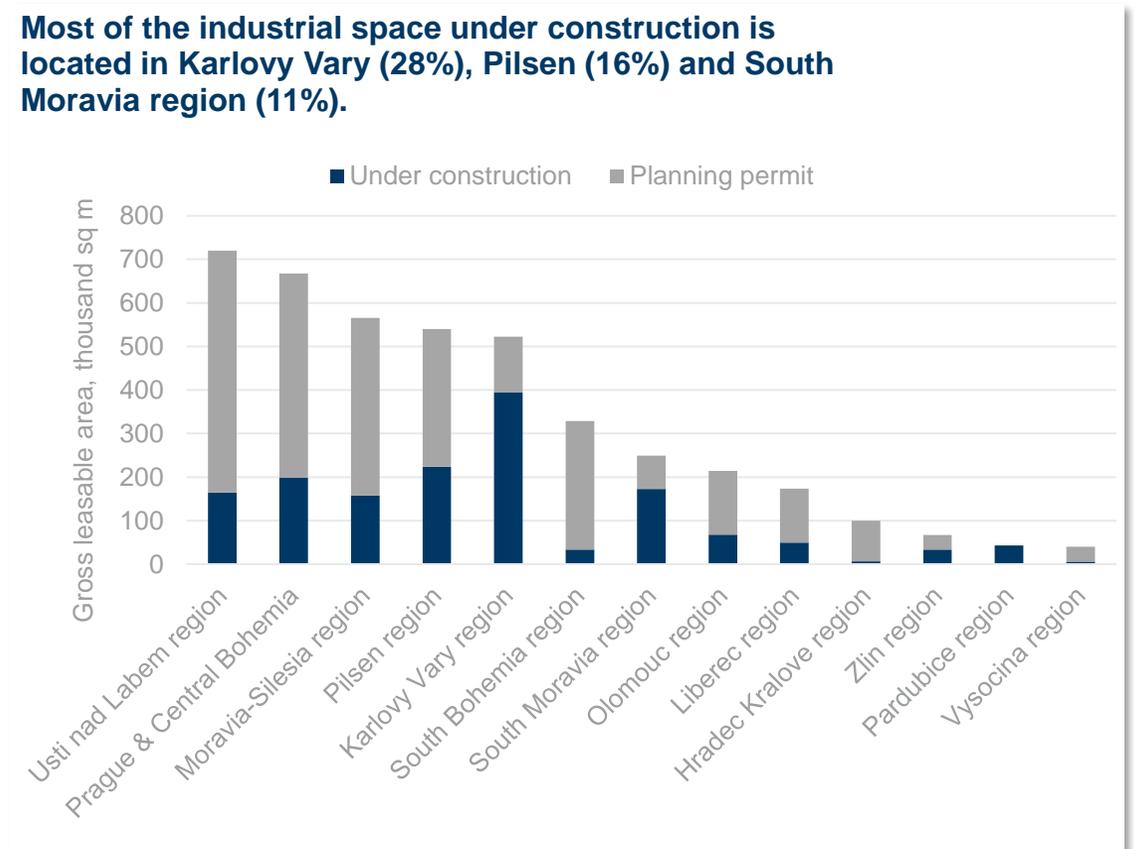
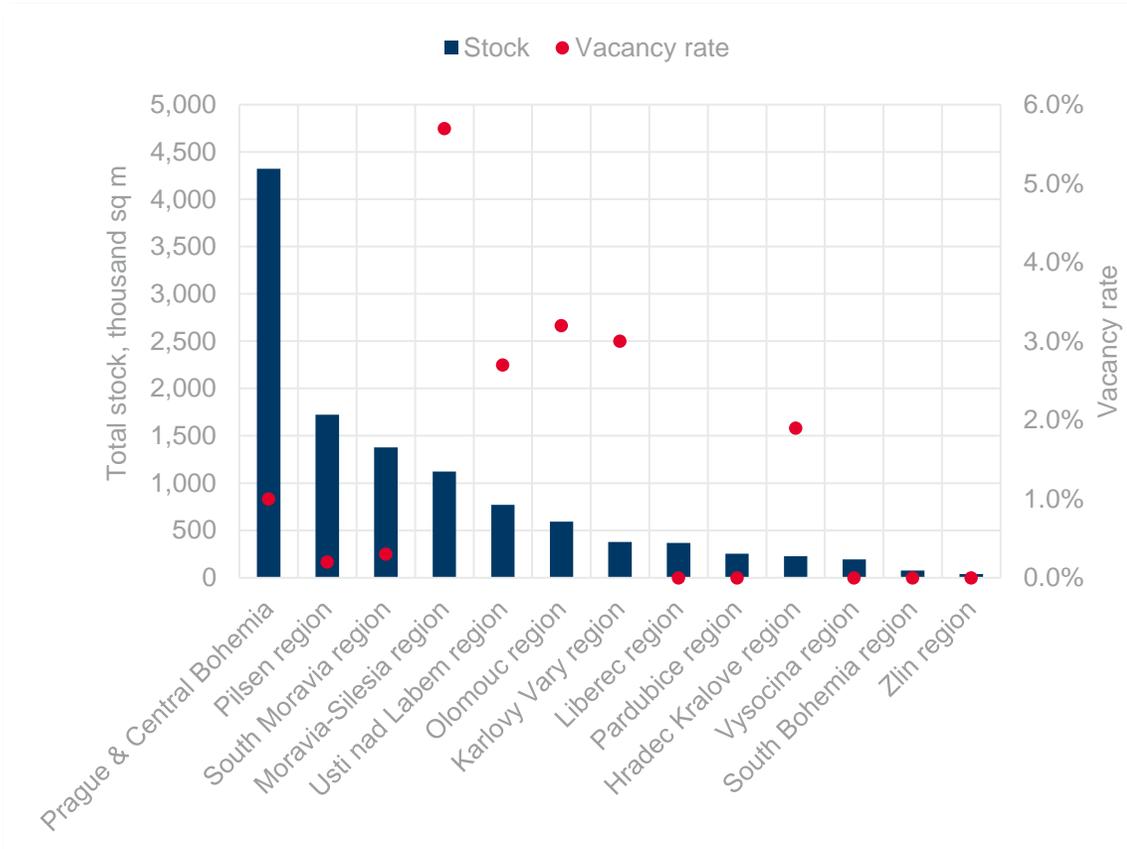
Stock 39,200 sq m  
Under construction 10,900 sq m  
Vacancy rate 0.0%



Source: Industrial Research Forum

# INDUSTRIAL SUPPLY

Prague's industrial stock dominance slowly diminishes with hundreds of thousands of sq m planned in other regions.

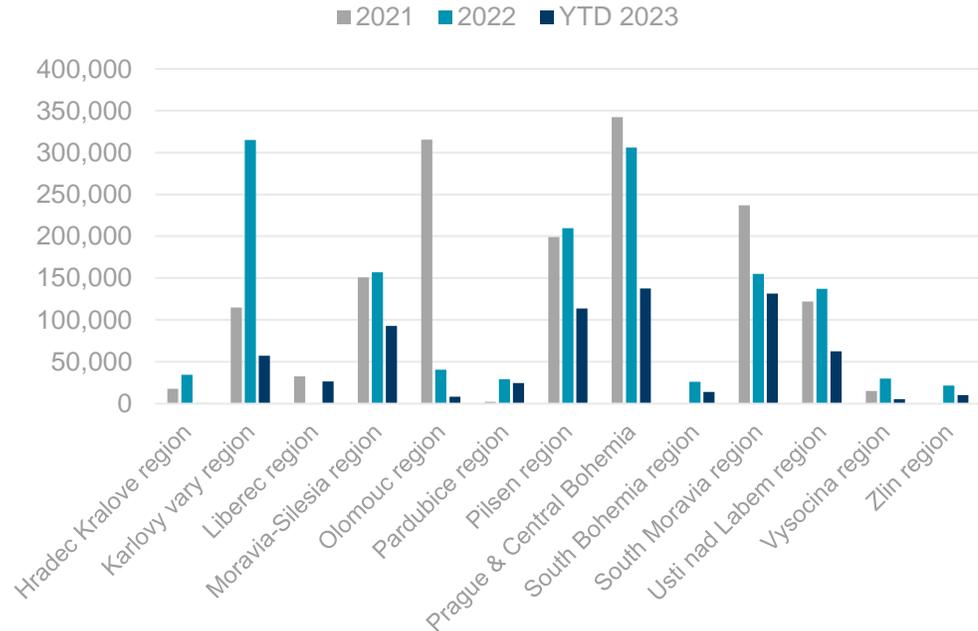


Source: Industrial Research Forum

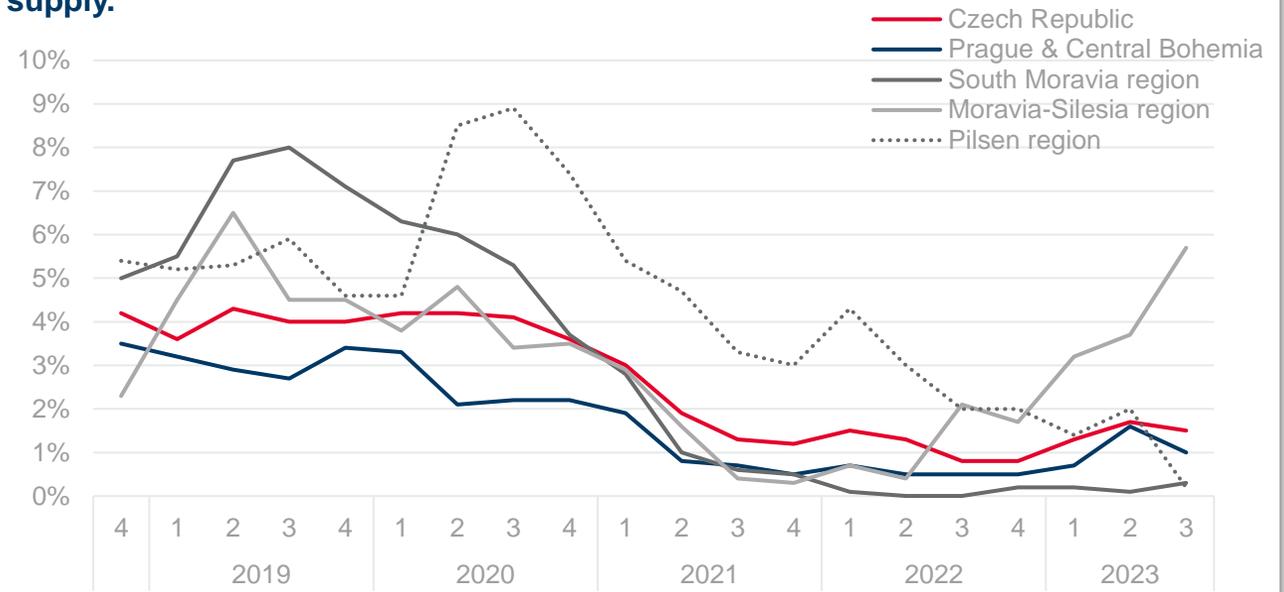
# INDUSTRIAL DEMAND & VACANCY

Regions with the highest volume of leased space in Q3 2023 were Prague & Central Bohemia, South Moravia and Pilsen region, accounting for about 85% of the total demand.

Net take-up development by regions (sq m)



In Q3 2023, most regions either experienced a decrease of vacant space or stayed at the same value as the previous quarter. Some regions saw an increase in vacant space, primarily due to new supply.



Source: Industrial Research Forum

# DEFINITIONS

## LIST OF TERMS USED IN THE DOCUMENTS

<b>Absorption</b>	Change in the occupied stock area, implicitly including tenant's shrinking their sizes or leaving warehouses altogether (activity typically not recorded explicitly).
<b>Gross take-up</b>	A gross figure representing the total floor space known to have been let or pre-let, sold or pre-sold to tenants or owner-occupiers over a specified period of time. It does not include space that is under offer. A property is taken up when the contract is signed. Total take-up includes renegotiations, lease extension and subleases; net take-up excludes these.
<b>Net take-up</b>	Leasing activity recorded by Industrial Research Forum in industrial stock where the stock is newly occupied.
<b>Industrial Research Forum</b>	The members – CBRE, Colliers, Cushman & Wakefield, iO Partners – share non-sensitive information intending to provide clients with consistent, accurate and transparent data about the Czech industrial market.
<b>Prime rent</b>	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 (generally 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 five years, with ceiling heights of over 8 m, used primarily for distribution/warehousing uses.
<b>Q/Q</b>	Quarter-on-quarter denotes a change in value between quarters
<b>Stock and new supply</b>	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 areas.
<b>Vacancy Rate</b>	Ratio of physically vacant space (i.e. without long-term leases) in completed buildings on the total stock of warehouse and industrial space with office areas.
<b>YY</b>	Year-on-year, denotes change in value between years



**JIŘÍ KRISTEK**

Partner / Head of Industrial Agency  
jiri.kristek@cushwake.com

**MARIE BALÁČOVÁ**

Partner / Head of Business Development Services,  
CEE+Nordics  
marie.balacova@cushwake.com

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