

	YoY Chg.	12-Mo. Forecast
1.01% Vacancy Rate	▼	▲
€ 7.50 Prime Rent, sq m/month	▲	▲
4.50% Prime Yield	▲	▲

Overall, All Property Classes

ECONOMIC INDICATORS Q4 2022

	YoY Chg.	12-Mo. Forecast
0.5% GDP*	▼	▲
2.3% Unemployment Rate	■	▲
2.0% Industrial Production*	▲	▼
15.5% CPI*	▲	▼

*Annual growth forecasts
Source: Moody's Analytics

ECONOMY: Industrial production growth picked up sharply in recent months and will support the economy

After the pandemic-induced contraction, Czechia's economy recorded several quarters of solid growth, which was powered by an increase in investment expenditures, offsetting a stagnation in consumption and net exports. Industrial production and export sharply increased in recent months mainly due to the easing of supply bottlenecks; the latter had particularly affected the country's sizeable manufacturing and automotive sectors. Continued improvement in these sectors will counterbalance the weakening of the rest of the economy, driven by high energy costs and softening external demand. Moody's Analytics project, however, that Czechia's economy is likely to head into a mild recession in the winter in line with the developments in the wider Eurozone. Consumer price inflation passed its multi-decade peak during the summer and is projected to ease off soon. At the same time, investment activity will be confined by interest rates expected to remain at elevated levels but with no further hikes expected.

SUPPLY AND DEMAND: A record high new supply in 2022 combined with the robust occupier demand

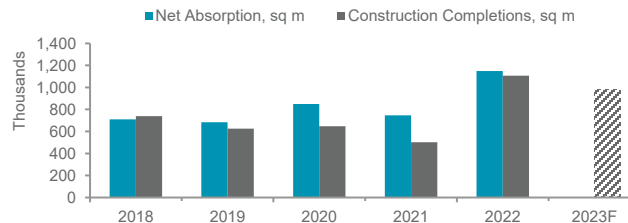
Around 149,300 sq m of modern industrial space were delivered to the market in Q4 2022, while the annual new supply amounted to more than 1,080,000 sq m, representing a 117% increase compared to 2021. In 2023, developers intend to complete the construction of another 1,000,000 sq m in the Czech Republic. As of Q4 2022, the total industrial stock under construction was estimated at 1,237,000 sq m, 60% of which was already pre-leased.

Gross take-up reached 2,209,700 sq m in 2022, representing a decrease of 10% y/y, which has largely been attributable to confined space availability on the market. In Q4 2022, the vacancy rate in Czechia increased by 9 bps compared to Q3, remaining very low at 1.0%. In Prague, the vacancy rate reached only 0.6%, mostly formed by ancillary offices within industrial and logistics schemes. During the past year, the occupier demand in the sector was mainly driven by logistics companies (34% of gross take-up), distributors, and producers (28% each). In Q4 2022, net demand amounted to 231,300 sq m, with pre-leases accounting for 71%, while new leases and expansions for 24% and 5%, respectively.

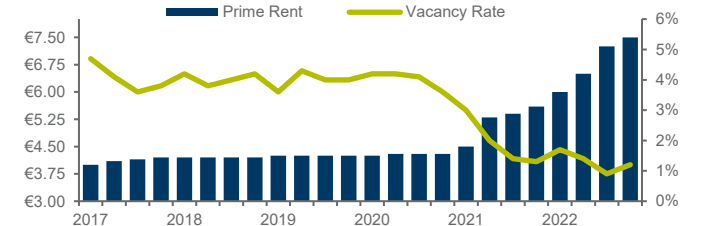
PRICING: After a rapid rent increase in 2022, further rental growth is expected to slow down

Due to very scarce space availability, by the end of 2022, prime rent increased by 34% compared to Q4 2021. As such, the prime monthly headline rent for a 10,000 sq m ambient warehouse unit reached €7.50/sq m in Prague, €6.25/sq m in Brno, and €5.75/sq m in Pilsen. Looking ahead, further rental growth is expected to continue in 2023, though with decelerating dynamics.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & PRIME RENT





MARKET STATISTICS

SUBMARKET	STOCK (SQ M)	AVAILABILITY (SQ M)	VACANCY RATE	CURRENT QTR TAKE-UP (SQ M)	YTD TAKE-UP (SQ M)	YTD COMPLETIONS (SQ M)	UNDER CNSTR (SQ M)	PRIME RENT (€/SQ M/MONTH)
Prague	3,433,500	21,300	0.6%	47,700	623,500	76,000	50,600	€ 7.50
Pilsen	1,632,400	32,900	2.0%	52,600	237,600	115,100	186,800	€ 5.75
Brno (South Moravia)	1,284,600	4,800	0.4%	38,100	224,800	76,500	147,200	€ 6.25
Ostrava (Moravia-Silesia)	1,043,300	27,100	2.6%	23,700	179,300	223,500	124,900	€ 5.50
Central Bohemia	767,100	200	0.0%	4,100	92,200	100,900	95,600	
Ústí nad Labem	660,600	9,300	1.4%	78,700	197,700	25,100	126,700	
Olomouc	579,700	13,500	2.3%	0	104,000	282,100	33,100	
Liberec	367,600	0	0.0%	0	15,100	48,000	18,000	
Karlovy Vary	292,900	0	0.0%	60,600	315,200	43,700	316,200	
Pardubice	213,200	0	0.0%	26,500	66,300	2,500	50,300	
Hradec Králové	204,100	0	0.0%	0	34,300	35,700	28,500	
Jihlava (Vysočina)	189,200	0	0.0%	0	60,900	27,000	6,200	
České Budějovice (South Bohemia)	74,500	0	0.0%	10,500	25,900	22,400	20,000	
Zlín	29,100	0	0.0%	11,500	32,900	10,500	32,900	
CZECH REPUBLIC TOTALS	10,771,800	109,100	1.0%	354,000	2,209,700	1,089,000	1,237,000	€ 7.50

KEY LEASE TRANSACTIONS Q4 2022

PROPERTY	SUBMARKET	TENANT	SIZE (SQ M)	TYPE
Panattoni Park Cheb East	Karlovy Vary	Confidential	60,600	Pre-lease
P3 Lovosice	Ústí nad Labem	FM Logistic	60,600	Renegotiation
Industrial Park Pardubice - Rosice	Pardubice	Confidential	17,000	New lease

KEY CONSTRUCTION COMPLETIONS Q4 2022

PROPERTY	SUBMARKET	MAJOR TENANT	SIZE (SQ M)	OWNER/DEVELOPER
VGP Park Olomouc	Olomouc	Confidential	39,200	VGP
D2 Logistics	Brno (South Moravia)	Confidential	22,000	White Star Real Estate
P3 Prague D6	Central Bohemia	Euromedia Group	17,900	P3

MARIE BALÁČOVÁ

Head of Data & Analytics

+420 605 440 693 / marie.balacova@cushwake.com

JIŘÍ KRISTEK

Head of Industrial and Retail Warehousing

+420 602 248 930 / jiri.kristek@cushwake.com

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