

# Industrial Market Czech Republic



Q3 2023

A regular update of logistics and industrial market in the Czech Republic

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Total stock		11.6 m sq m
New supply Q3 2023		215,300 sq m
Under construction		1.4 m sq m
Vacancy rate		2.3%

## ► COLD SUMMER...

*„In terms of demand for warehouse space, we experienced a very cold summer. Gross take-up was the lowest in the last 10 years.*

*There is a growing number of sublease options in the market, competing with new completions and vacant space in speculative projects.*

*We continue to expect the anticipated increase in demand for manufacturing space, linked to the shortening of supply chains and the growing trend towards self-sufficiency in European distribution flows. However, this trend has not yet been confirmed.*

*Renegotiations accounted for 27% of the total gross take-up of 47,000 sq m in the third quarter.*

*At Knight Frank, we are also currently offering some very interesting investment opportunities.*

In Q3 2023, the total lettable modern warehouse and industrial area reached 11.6 million sq m.

215,300 sq m were newly completed, the most in the South Moravian Region (36%) and the Pardubice Region (24%).

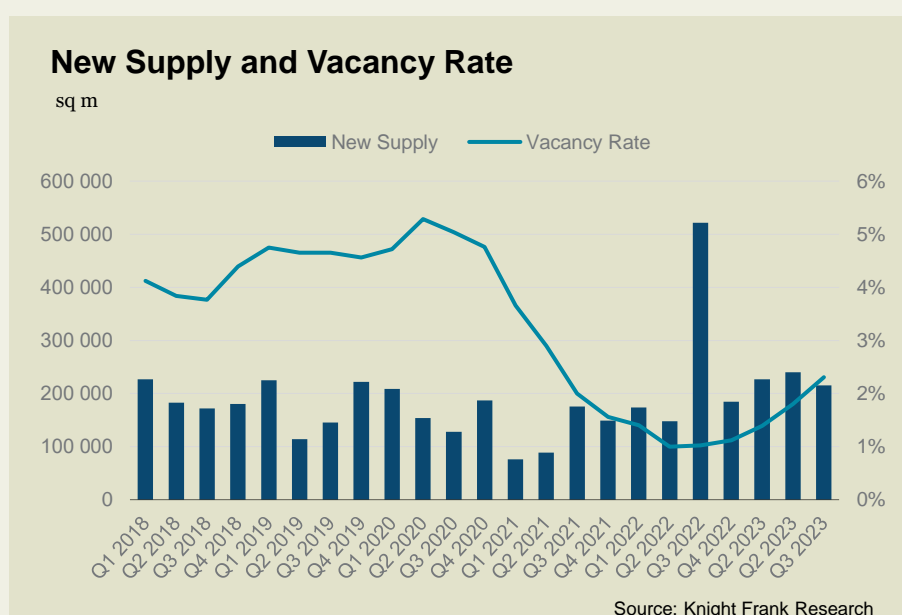
1.41 million sq m were under construction, up 23% year-on-year.

In Q3 2023, the vacancy rate increased to 2.3% and as in the previous quarter, the newly completed premises contributed to the increase. The vacancy rate in the Greater Prague area remained unchanged at a very low level of 0.7%.

The prime headline rent for warehouse and industrial premises stayed stable at €6.50 - 7.50 sq m/month.

Gross take-up reached a record low volume of 176,000 sq m, 27% of which were renegotiations.

## **MARKÉTA VRBASOVÁ** **DIRECTOR, HEAD OF INDUSTRIAL & LOGISTICS**



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# 11,600,000 sq m

In Q3 2023, the total lettable modern warehouse and industrial area reached 11.6 million sq m.

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## ► INDUSTRIAL MARKET OVERVIEW

In Q3 2023, the total lettable modern warehouse and industrial stock reached 11.60 million sq m. The Greater Prague area remained the largest logistics market, represented 30% of the total supply. The Plzeň Region with 14% took second place, followed by the South Moravian Region (12%), the Moravian-Silesian Region (10%) and the Central Bohemian Region (8%).

In Q3 2023, a total area of 215,300 sq m was newly completed, which was 10% decreased compared to the previous quarter and 59% decreased compared to the same period last year, however this comparison is misleading, as the unique 186,800 sq m distribution center for Amazon in Kojetín was completed in Q3 2022. A total of 13 halls in 9 industrial parks were delivered to the market. The most spaces were completed in the South Moravian Region (36%). This was followed by the Pardubice Region with 24%, the Moravian-Silesian Region with 17% and the Plzeň Region with 11%.

The largest project completed in Q3 2023 was the 45,300 sq m hall in GLP Park Brno Holubice leased to multiple tenants, just like is the second largest hall in CTPark Brno Líšeň with 32,600 sq m of lettable area. Other large completed buildings included a hall in Panattoni Pilsen Park West II (23,900 sq m) fully leased to Panasonic and two halls in Logistics and Industrial Park Pardubice Rosice (total 52,200 sq m), which remained partially unoccupied at the time of completion.

1.41 million sq m of modern warehouse and industrial space was under construction, 23% more compared to the same period of last year. Most of the space under construction (28%) was located in the Karlovy Vary Region, followed by the Plzeň Region with 16%, the South Moravian Region with 13% and the Ústí nad Labem Region with 12%.

In Q3 2023, the vacancy rate increased for the fourth consecutive quarter to 2.3%, up from 1.8% in the previous quarter. The vacancy rate in the Greater Prague area remained unchanged at a very low level of 0.7%. As in the previous quarter, newly completed premises, where we recorded 24% vacancy, contributed to the increase in vacancy rate. Due to this fact, the largest quarter-on-quarter increases in the vacancy rate were recorded in the Hradec Králové / Pardubice Region (plus 4.4 percentage points) and the Moravian-Silesian Region (plus 2.9 percentage points). A slight decrease in vacancy (minus 0.4 percentage points) was recorded only in the Olomouc Region. In the other regions, the vacancy rate remained unchanged.

## RENTS

In Q3 2023, the prime headline rent for warehouse and industrial premises stayed stable at the level of €6.50 - 7.50 sq m/month.

The average current rent also remained stable in Q3 2023 in all regions. There was no significant increase or rent correction.

### Prime Headline Rent



**€6.50 – 7.50** sq m/month

## INVESTMENT

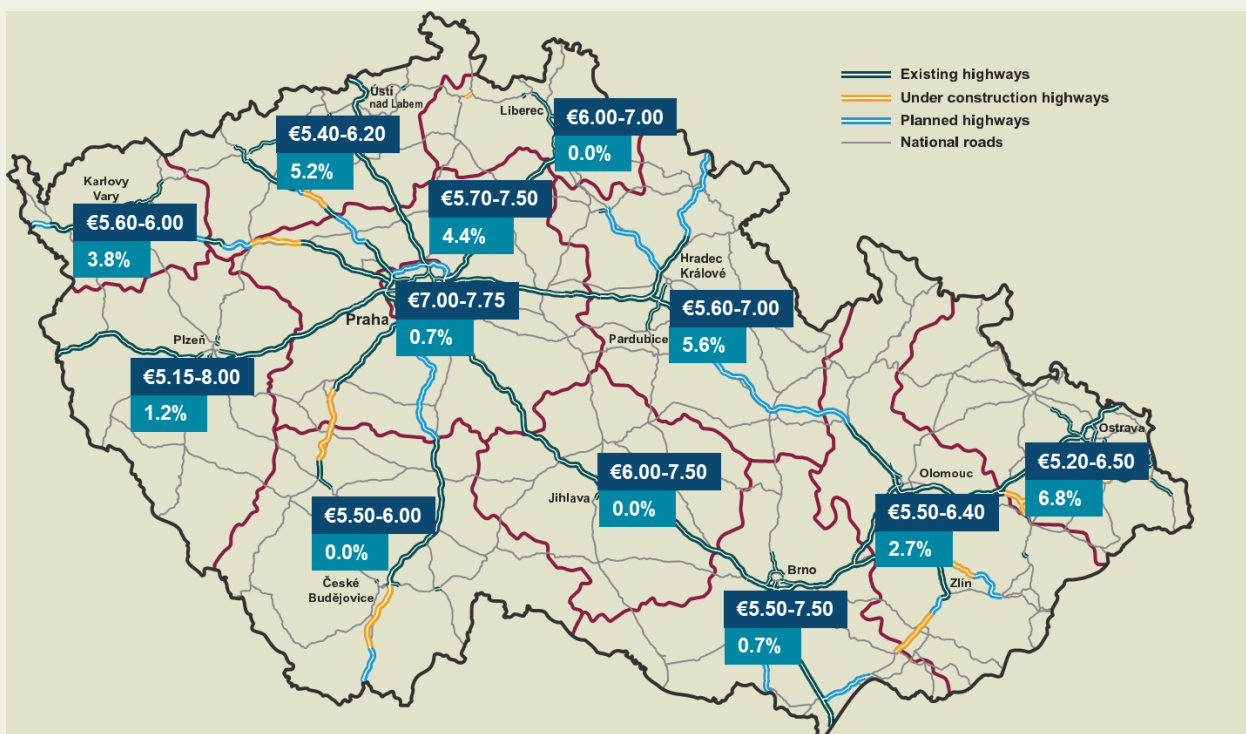
The prime industrial yield stayed unchanged compared to the previous quarter. The latest quarterly investment statistics show that investment activity remains subdued. The demand for logistics real estate remains, but the availability of this product on the investment market is very limited.



### Prime Industrial Yield

**5.00%**

## VACANCY RATE AND CURRENT RENT\*



\*Rent / price range offered on the market in class A premises for an area of 4,000 - 5,000 sq m in Q3 2023.

## TAKE-UP

In Q3 2023, the gross take-up reached record low volume of 176,000 sq m.

Compared to the previous quarter, this is a 70% decrease. This low gross take-up was last recorded in Q1 2012.

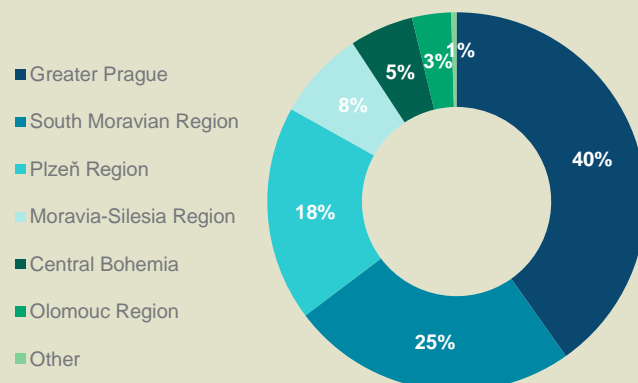
In a year-on-year comparison, it decreased by 54%. The share of renegotiations amounted to 27%. The largest renegotiation was concluded in CTPark Modřice with company Kollmorgen, s.r.o. for 10,000 sq m.

The largest share (40%) of Q3 2023 gross take-up was recorded in the Greater Prague area, mainly due to a high share of new leases (81%). The South Moravian Region followed with 25%, the share of new leases reached 46% here.

Net take-up fell by 47% in a year-on-year comparison and reached 129,000 sq m. Compared to the previous quarter, net take-up decreased by 53%. 85% of the net take-up was distributed in just three regions, namely the Greater Prague area, the Plzeň Region and the South Moravian Region.

## Gross Take-up by Region

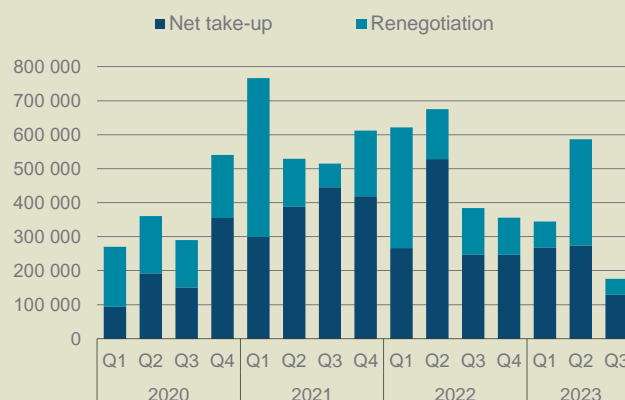
Q3 2023, %



Source: Knight Frank Research

## Quarterly Take-up

sq m



Source: Knight Frank Research

TAKE-UP	CHANGE		
Q3 2023		Y/Y	Q/Q
Gross	176,000 sq m	-54%	-70%
Net	129,000 sq m	-47%	-53%

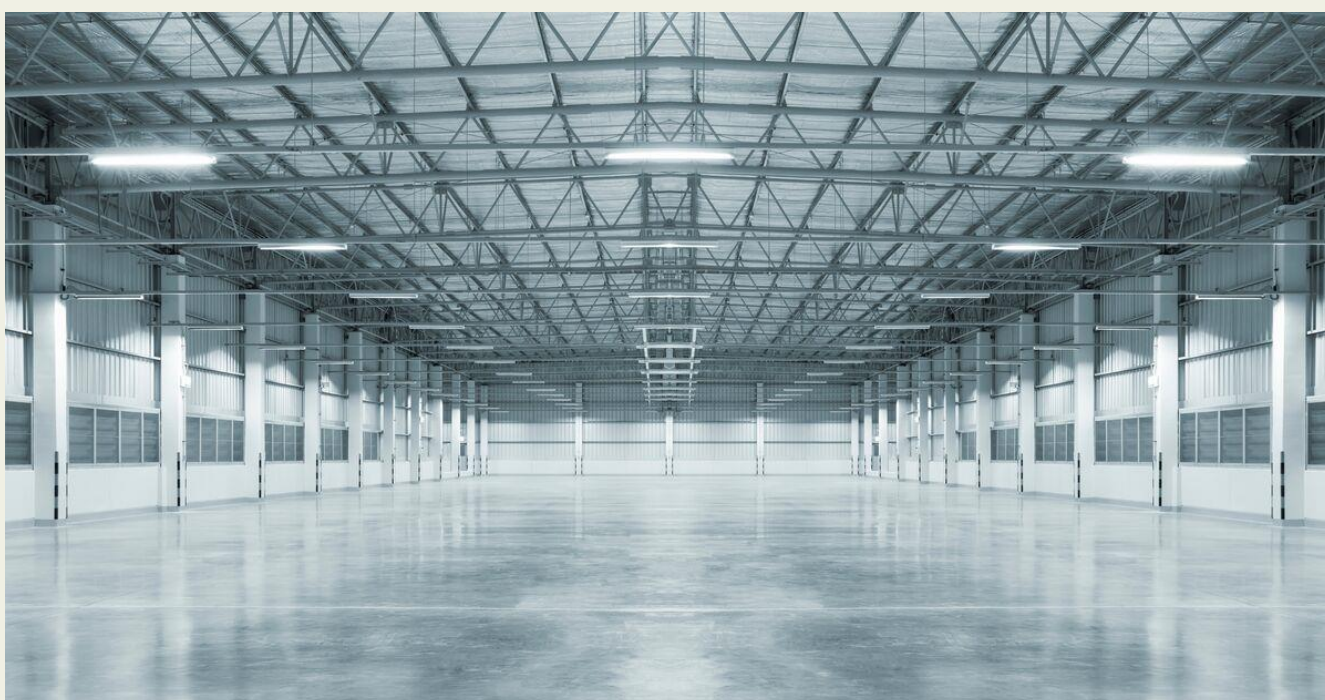
## SIGNIFICANT NEW LEASES IN Q3 2023

PROPERTY	TENANT	SIZE (sq m)	DEAL TYPE
CTPark Bor	Confidential	32,300	New lease
Prologis Park D1 Ostředek	DM Drogerie	21,300	New lease
CTPark Brno	MOL Logistics	9,700	New lease



## MARKET NEWS

- ✓ P3 Logistic Parks is innovating an industrial park in Olomouc, where it will soon install a photovoltaic power plant consisting of 850 solar panels. The photovoltaic power plant has an output that is able to cover the total consumption of the logistics center. In addition to its own energy source, the park will also have chargers for electric cars powered by the same solar power plant.
- ✓ UDI Group is finishing the first hall of its new Logistics Centre Přehýšov near the D5 motorway close to Plzeň, which they want to certify with the BREEAM certification, targeting the Excellent level. They would like to promote a photovoltaic power plant on the roofs of the halls. Thanks to their huge surface area, they could generate up to 12 MWp of electricity at peak times.
- ✓ Panattoni, the property developer, is following up on the memorandum of cooperation signed with the Moravian-Silesian Region and starting to prepare the revitalisation of the area and construction on the site of the former Barbora mine in Karviná, that is currently one of the largest brownfield sites in the Czech Republic. In the first phase, Panattoni will build modern industrial halls with a floor area of over 400,000 sq m, with construction work expected to start in the second half of 2025 and completion planned for 2032.
- ✓ The European division of Prologis introduced the new Essentials platform, which provides scalable and comprehensive logistics solutions for greater efficiency in the areas of warehouse operations, energy and sustainability, electromobility and workforce. This platform, the first of its kind in the logistics real estate segment, responds to the challenges of today's global supply chains and allows warehouse operators to focus first and foremost on their own business.
- ✓ Developers, tenants and owners of industrial and warehouse premises in the Czech Republic are currently making large-scale investments in their own solar power plants. This trend reflects not only the progressive modernization of the energy sector, but also the turning away from dependence on fossil fuels. As part of this innovative wave, many buildings are undergoing complex technological modifications in parallel, aimed at the overall reduction of energy consumption.



## GREATER PRAGUE



TOTAL STOCK

**3.51 m sq m**



NEW SUPPLY Q3 2023

**15,100 sq m**



UNDER CONSTRUCTION

**120,400 sq m**



VACANCY RATE

**0.7%**

- Prague is a central point of all highway routes and is also an important international railway junction. Air transport including freight is provided mainly by the Václav Havel Airport Prague.
- The Greater Prague area is the largest warehouse and industrial market in the Czech Republic, it accounts for 30% of the country's total stock.
- The unemployment rate was 3.1% in September 2023.
- In Q3 2023, gross take-up amounted to 71,000 sq m, out of which net take-up represented 81%.



**Current Rent**

**€7.00 – 7.75 sq m/month**

## CENTRAL BOHEMIAN REGION



TOTAL STOCK

**888,100 sq m**



NEW SUPPLY Q3 2023

**0 sq m**



UNDER CONSTRUCTION

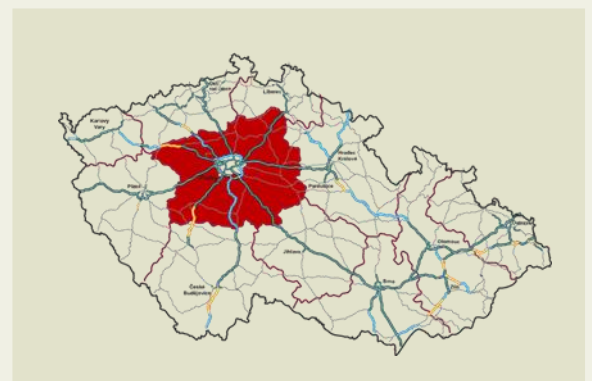
**64,800 sq m**



VACANCY RATE

**4.4%**

- The Central Bohemian Region has the second densest (after Prague), but also the most overloaded, transport network in the Czech Republic. Main railway and road transit networks run through the region leading to the Capital City. Water transport is also present in the region.
- The unemployment rate was 3.2% in September 2023.
- In Q3 2023, gross take-up amounted to 9,600 sq m represented by a single new lease only.



**Current Rent**

**€5.70 – 7.50 sq m/month**

## SOUTH BOHEMIAN REGION



TOTAL STOCK

**97,400 sq m**



NEW SUPPLY Q3 2023

**0 sq m**



UNDER CONSTRUCTION

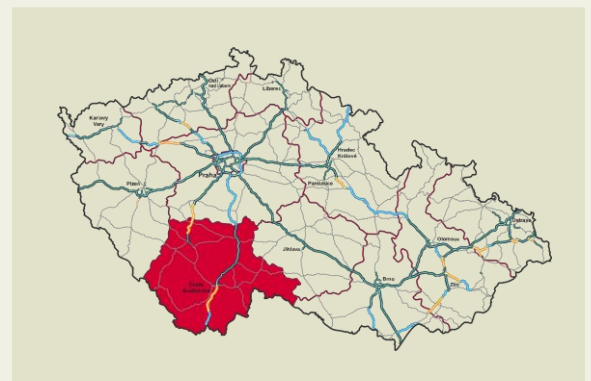
**37,900 sq m**



VACANCY RATE

**0.0%**

- The Region has been reporting an ever-increasing volume of traffic, particularly on the road. However, the Region's territory is not connected to the network of highways within the CR. The planned and partly under construction D3 highway will connect Prague with the South Bohemian Region and further will join the highway network in neighboring Austria. The South Bohemian Region - Austrian Border section should be completed by 2025 and completion in the Central Bohemian Region by 2029.
- The unemployment rate was 2.6% in September 2023.
- No new take-up was realized in Q3 2023.



Current Rent

**€5.50 – 6.00 sq m/month**

## SOUTH MORAVIAN REGION



TOTAL STOCK

**1.39 m sq m**



NEW SUPPLY Q3 2023

**77,900 sq m**



UNDER CONSTRUCTION

**180,100 sq m**



VACANCY RATE

**0.7%**

- The South Moravian Region has an important transit function. An important regional transport hub in the case of road, motorway, railway and air transport is the city Brno, which is situated at the highway intersection in the direction of Prague (D1), Bratislava (D2), Olomouc (D46) and Vienna (D52). However, the D52 motorway is still incomplete and should be fully finished by 2030.
- The South Moravian Region is the third largest logistics market in the Czech Republic after Prague and Plzeň.
- The unemployment rate was 4.2% in September 2023.
- In Q3 2023, gross take-up amounted to 43,100 sq m, out of which net take-up represented 46%.



Current Rent

**€5.50 – 7.50 sq m/month**



## HRADEC KRÁLOVÉ AND PARDUBICE REGIONS



TOTAL STOCK

**456,300 sq m**



NEW SUPPLY Q3 2023

**52,200 sq m**



UNDER CONSTRUCTION

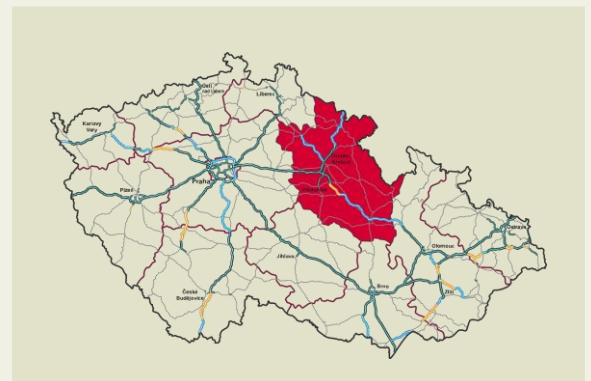
**15,000 sq m**



VACANCY RATE

**5.6%**

- The Hradec Králové Region is connected to Prague by the unfinished D11 highway, which, after its completion in 2027, will connect the region with Poland. The Pardubice and Hradec Králové Regions are also crossed by two European long-distance roads E67 (Prague-Warsaw) and E442 (Liberec-Olomouc). The planned and now partially under construction D35 highway will also pass through the regions.
- In September 2023, the unemployment rate was 2.8% in Pardubice Region and 3.1% in Hradec Králové Region.
- In Q3 2023, gross take-up amounted to 733 sq m represented by new leases only.



**Current Rent**

**€5.60 – 7.00 sq m/month**

## KARLOVY VARY REGION



TOTAL STOCK

**394,600 sq m**



NEW SUPPLY Q3 2023

**0 sq m**



UNDER CONSTRUCTION

**389,900 sq m**



VACANCY RATE

**3.8%**

- The main road of the Karlovy Vary Region is the unfinished D6 highway (Cheb - Sokolov - Karlovy Vary), which should be completed in 2027. Currently, the highway is connected to Germany by road I/6.
- Most of the existing warehouse space is located the vicinity of Cheb, close to the D6 highway.
- The unemployment rate was 4.2% in September 2023.
- No new take-up was realized in Q3 2023.



**Current Rent**

**€5.60 – 6.00 sq m/month**

## LIBEREC REGION



TOTAL STOCK

**380,000 sq m**



NEW SUPPLY Q3 2023

**0 sq m**



UNDER CONSTRUCTION

**29,700 sq m**



VACANCY RATE

**0.0%**

- The Region is connected to Prague via the D10 highway, which leads from Prague to Turnov, where it terminates and connects to the I / 35 expressway, which continues to the regional city of Liberec. Passing through the region is the European route E65 running in the direction, Prague, Harrachov, Poland. There are other first-class roads which connect the region with Germany.
- The unemployment rate was 3.8% in September 2023.
- In Q3 2023, gross take-up amounted to 16 sq m represented by a single new lease only.



Current Rent

**€6.00 – 7.00 sq m/month**

## OLOMOUC AND ZLÍN REGIONS



TOTAL STOCK

**667,400 sq m**



NEW SUPPLY Q3 2023

**10,100 sq m**



UNDER CONSTRUCTION

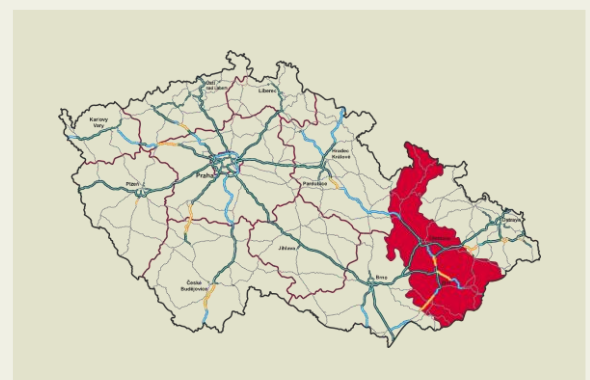
**69,500 sq m**



VACANCY RATE

**2.7%**

- The unfinished D1 highway passes through the region but is connected to the regional city of Olomouc by the fully completed D46 highway and the unfinished D35 highway (the so-called northern backbone route, which will connect Bohemia with Moravia). The main highway of the Zlín Region will be the D55 highway, which is under construction and after its completion in 2031 will connect Olomouc with the South Moravian Region through the territory of the Zlín region. The D49 motorway, which will connect eastern Moravia with western Slovakia, is also under construction.
- In September 2023, the unemployment rate was 3.4% in Olomouc Region and 2.7% in Zlín Region.
- In Q3 2023, gross take-up amounted to 5,900 sq m, out of which net take-up represented 0.4% only.



Current Rent

**€5.50 – 6.40 sq m/month**

## MORAVIA-SILESIA REGION



TOTAL STOCK

1.17 m sq m



NEW SUPPLY Q3 2023

36,200 sq m



UNDER CONSTRUCTION

101,700 sq m



VACANCY RATE

6.8%

- The main regional road is the D1 highway, which connects the region with the entire country and Polish A1 highway. The unfinished D48 motorway also passes through the region. After its completion will form part of the third capacity connection between the Czech Republic and Slovakia
- The unemployment rate was 5.0% in September 2023.
- In Q3 2023, gross take-up amounted to 13,500 sq m, out of which net take-up represented 64%.



Current Rent

€5.20 – 6.50 sq m/month

## PLZEŇ REGION



TOTAL STOCK

1.68 m sq m



NEW SUPPLY Q3 2023

23,900 sq m



UNDER CONSTRUCTION

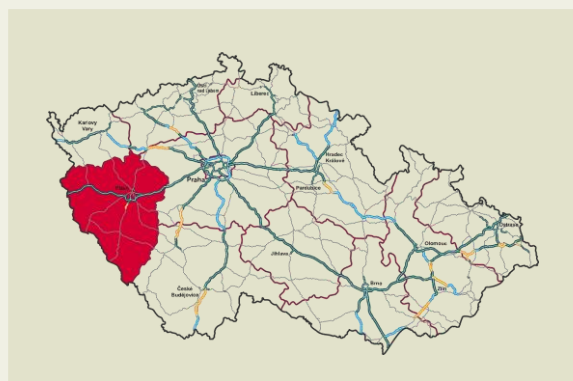
224,300 sq m



VACANCY RATE

1.2%

- An important D5 highway is passing through the region. It leads from Prague around Plzeň to Germany.
- The Plzeň Region is the second largest logistics market in the Czech Republic after Prague, most of the existing warehouse space is located around the regional city of Plzeň.
- The unemployment rate was 2.8% in September 2023.
- In Q3 2023, gross take-up amounted to 32,300 sq m represented by a single new lease only.



Current Rent

€5.15 – 8.00 sq m/month

## ÚSTÍ NAD LABEM REGION



TOTAL STOCK

**752,200 sq m**



NEW SUPPLY Q3 2023

**0 sq m**



UNDER CONSTRUCTION

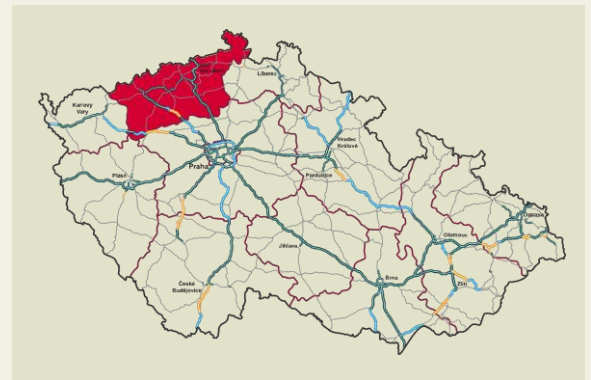
**173,600 sq m**



VACANCY RATE

**5.2%**

- The Region has an important transport position given by the link to the European Union. The D8 highway is passing through the region. It leads from Prague to the state border with Germany, where it links to the German A17 highway. Another strategic communication is the planned, partly under construction and operational D7 highway leading from Prague to Chomutov and further to the border with Germany. The Labe (Elbe) River is an important artery of shipping that connects the inland Czech Republic with the North Sea.
- The unemployment rate was 5.6% in September 2023.
- In Q3 2023, gross take-up amounted to 50 sq m represented by a single new lease only.



**Current Rent**

**€5.40 – 6.20 sq m/month**

## VYSOČINA REGION



TOTAL STOCK

**254,000 sq m**



NEW SUPPLY Q3 2023

**0 sq m**



UNDER CONSTRUCTION

**6,200 sq m**



VACANCY RATE

**0.0%**

- The road and railway network in the region is strategic from the national as well as European point of view. The territory is a part of Central-European urbanised axis (Berlin – Prague - Vienna / Bratislava - Budapest). The D1 highway thus serves both the national and European transport.
- The unemployment rate was 2.7% in September 2023.
- No new take-up was realized in Q3 2023.



**Current Rent**

**€6.00 – 7.50 sq m/month**



## DEFINITIONS

**Total stock:** Modern developer-led warehouse and industrial production space of A class quality (including built-in offices) owned by a developer or investor for lease excluding owner-occupied stock.

**New supply:** Completed newly built buildings that obtained a use permit in the given period.

**Take-up:** Total floor space let or pre-let to tenants over a specified period of time for a period longer than one year. Gross take-up also includes renegotiations and contract extensions. Net take-up includes new contracts, expansion of existing premises or pre-leases.

**Prime headline rent:** Achieved rents that relate to new prime, high specification units of 4,000-5,000 sq m in prime locations. Effective rents represent the achievable average rents including rent free period.

**Current rent:** Rent offered on the market in class A premises with an area of 4,000 - 5,000 sq m in a given period.

**Unemployment rate:** Share of unemployed persons (per population aged 15-64) .

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We like questions, if you've got one about our research, or would like some property advice, we would love to hear from you.



**Lenka Šindelářová**  
Head of Research and Consultancy  
+420 602 773 592  
[lenka.sindelarova@cz.knightfrank.com](mailto:lenka.sindelarova@cz.knightfrank.com)



**Pavla Kubíková**  
Senior Researcher  
+420 720 028 221  
[pavla.kubikova@cz.knightfrank.com](mailto:pavla.kubikova@cz.knightfrank.com)



**Markéta Vrbasová**  
Director | Head of Industrial & Logistics  
+420 724 325 331  
[marketa.vrbasova@cz.knightfrank.com](mailto:marketa.vrbasova@cz.knightfrank.com)