

Prague Office Market

savills



Quarterly Statistics

Total Stock

3.85
million sq m

Q1 2022: 3.75 mil. sq m
YoY change: +3%

Gross Take-Up

137,800
sq m

Q1 2022: 134,000 sq m
YoY change: +3%

Net Take-Up

74,900
sq m

Q1 2022: 73,100 sq m
YoY change: +2%

Vacancy Rate

7.50%

Q1 2022: 8.41%
YoY change: -91 bps

Completions

38,000
sq m

Q1 2022: 26,200 sq m
YoY change: +45%

Economic Indicators¹

GDP Growth

-0.2%
(Q1 2023)

2022: +2.4%
2023 Forecast: +0.5%

Inflation

16.4%
(Q1 2023)

2022: 15.1%
2023 Forecast: 11.2%

Policy Rates

2.6%
3M EURIBOR*

2022: 0.3%
2023 Forecast: 3.2%

Unemployment

2.5%
(in February 2023)

2022: 2.3%
2023 Forecast: 3%

Gross Monthly Salary

€1,595
(national median)

2022: €1,474
YoY change: +9%

¹⁾ Based on the data available on 12/4/2023 (Data Source: CNB, Ministry of Finance).

* Q1 2023 average

Office market highlights

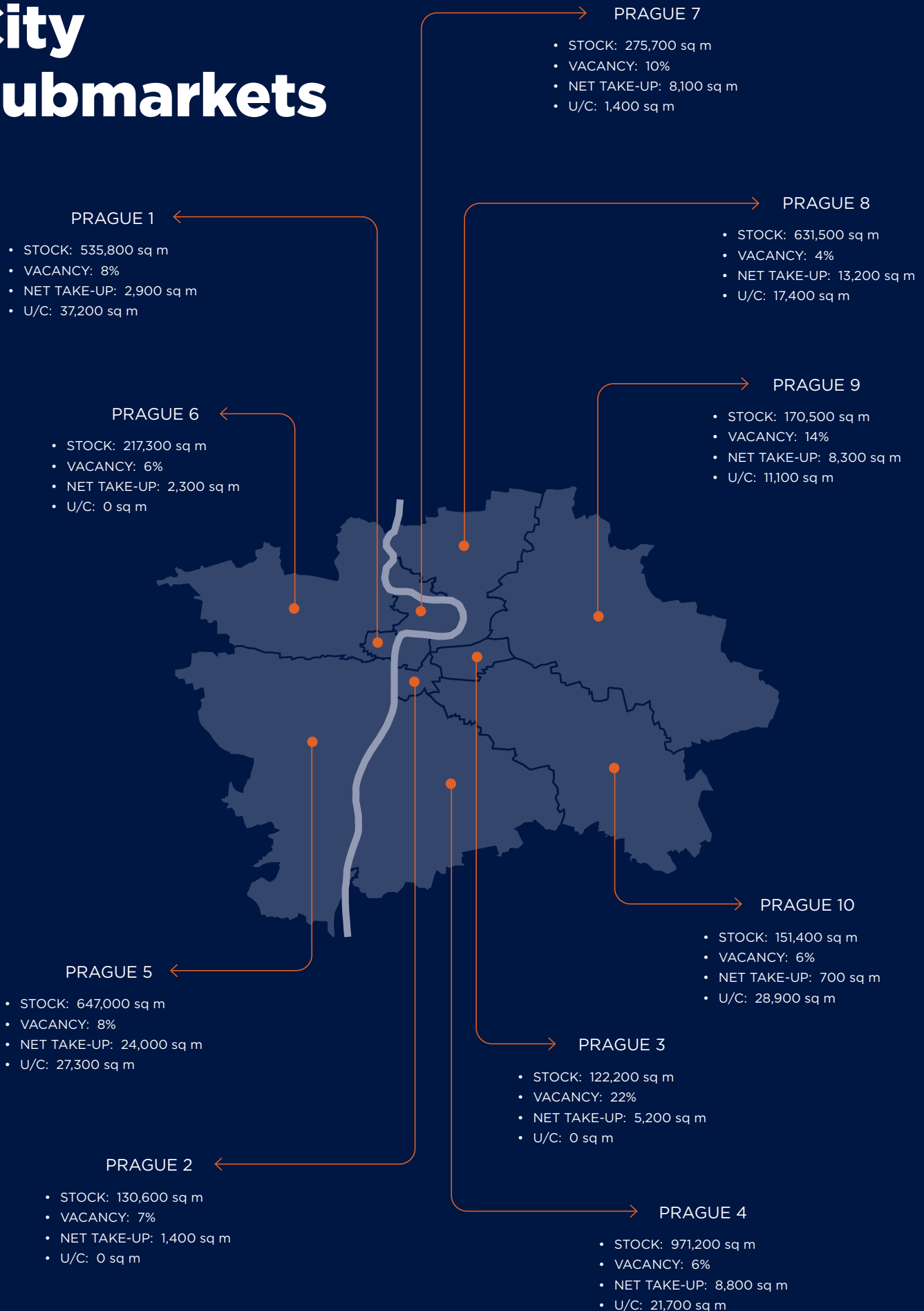
- At the end of Q1 2023, total modern office inventory in Prague exceeded 3.85 million sq m spread across 461 office buildings. Class A office make 74% of the total stock.
- New space deliveries reached 38,000 sq m in Q1 2023, being the highest quarterly new supply since Q2 2021. A further 90,000 sq m is expected to be delivered by year end.
- From the last quarter of 2022, office vacancy rate in Prague decreased again (for the fourth quarter in a row) to 7.5%.
- Total occupier activity in Q1 2023 reached 137,800 sq m (3% up y-o-y). Lease renewals accounted for 45% of the quarter's gross take-up. Based on deal count, the data has not revealed any significant drop in the number of expansions, renewals or new leases. Class A space accounted for 82% of all leasing activity during the quarter.
- Net take-up recorded in the first three months of 2023 totalled 74,900 sq m, surpassing the previous quarter, representing a 2% increase y-o-y and a 19% increase compared to the five-year first-quarter average.
- Prime headline rents grew 10% from their Q1 2022 level to €26.50-€27.00 per sq m a month.

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	137,800	74,900	38,000	7.5%
Previous quarter	151,900	60,700	26,200	7.7%
YoY movement	+2.9%	+2.4%	+45%	-91 bps



City Submarkets



Q1 2023 Review

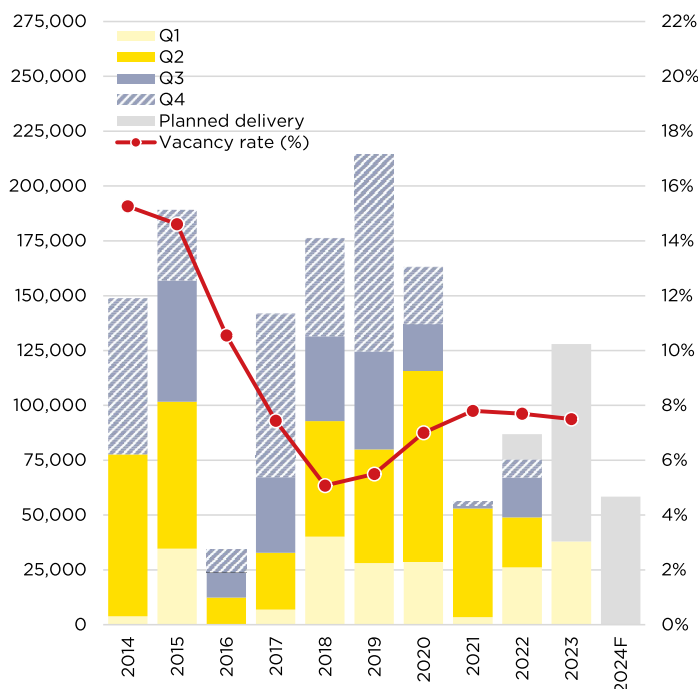
New Supply and Construction Pipeline

- The Prague market recorded the delivery of nearly 38,000 sq m of office space in Q1 2023 (up 45% y-o-y), distributed across two city districts, Prague 7 (Port7 office project) and Prague 8 (Red Court). With these additions, the total office inventory in Prague expanded to 3.85 million sq m. Prague 4 is the largest of the ten office districts in the capital city by floorspace area, while the highest number of office buildings is found in Prague 1.
- With no new construction or refurbishment project launched since Q2 2022, the construction pipeline is thinning and at the end of Q1 2023 totalled just over 145,000 sq m across 15 projects. Of all the total stock currently under construction in the Prague office market, 48% is already committed.
- The largest share of new space is underway in Prague 1, Prague 10 and Prague 5.
- Including the above-mentioned Q1 completions, a total of 128,000 sq m of new office projects are projected to be completed in Prague in 2023. This would be the highest annual new supply since 2020, 70% more compared to 2022 and in line with the 10-year average. Looking ahead, the development pipeline is forecast to ease in 2024.

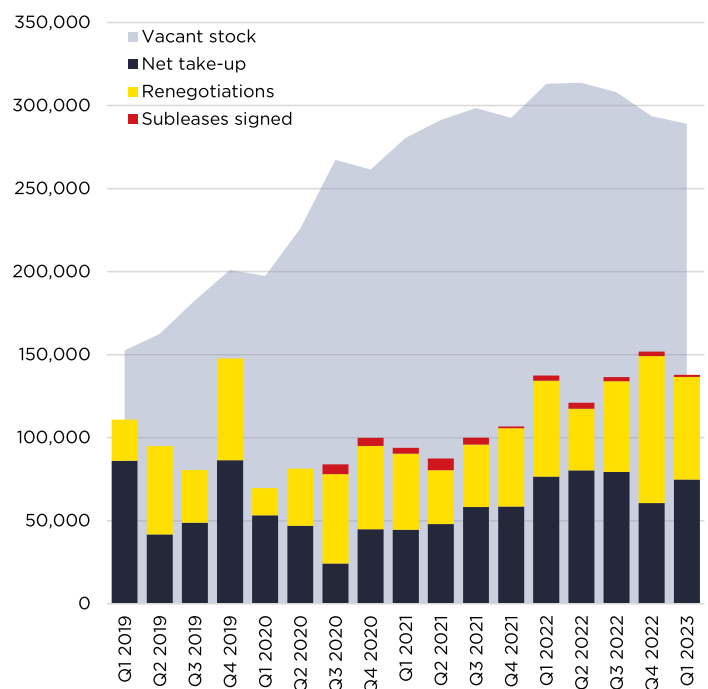
Occupier Demand

- Gross office take-up totalled 137,800 sq m in Q1 2023, being 3% up y-o-y and 9% below the previous quarter. Class A space accounted for 82% of all leasing activity this quarter.
- The overall number of closed transactions increased for the third quarter in a row and in Q1 2023 reached 181.
- Prague saw a 2% y-o-y increase in net leasing activity in Q1 2023. The total floorspace area newly committed in Q1 2023 was 74,900 sq m (23% higher q-o-q), staying above the long-term first-quarter average. The majority of the net take-up deals signed in Q1 were again leases of less than 500 sq m (and even below 250 sq m). 87% of the net demand took place within Class A properties.
- Tenants from the Manufacturing and Energy sectors dominated new leasing demand in Q1 2023, accounting for 18% and 16% respectively.
- Prague 5, the second largest office district in the capital, has secured commitments for approximately 24,000 sq m, or 32% of the quarter's net take-up. Prague 8 was the second most popular with net take-up totalling 13,200 sq m (18% share).

New Supply (in sq m)



Take-up (in sq m)



Q1 2023 Review

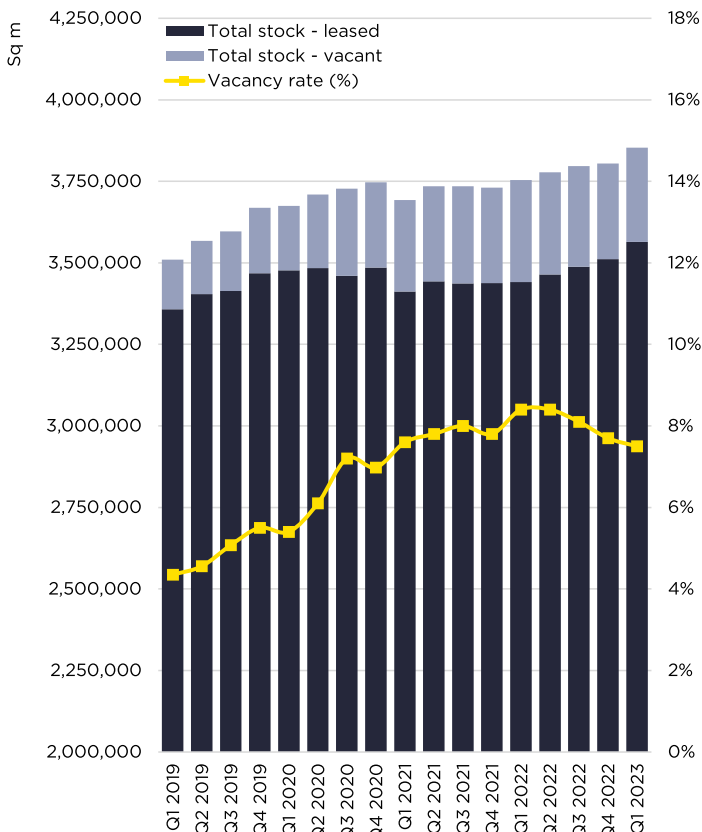
Vacancy Rate

- Citywide vacancy rate has been trending down for the fourth consecutive quarter. For Q1 2023, Prague office vacancy rate decreased by 22 basis points (bps) to 7.5%, the lowest rate since Q4 2020. The volume of directly vacant floorspace area stood at 289,100 sq m. The total vacancy rate, including sublease space, would come to 9.4%. Vacancy rates for Class A and B buildings are 7.8% and 6.6% respectively.
- From the end of 2022, the city centre vacancy rate increased by 24 bps to the latest 7.9%, which translates to 45,000 sq m.
- In terms of individual city districts, the highest amount of available space was found in Prague 4 (56,400 sq m) and Prague 5 (52,100 sq m). Over the past 12 months, the most significant decline in vacant floorspace area occurred in Prague 4 and Prague 9, while the highest increase was recorded in Prague 7 and Prague 1, mostly as a result of new speculative supply.

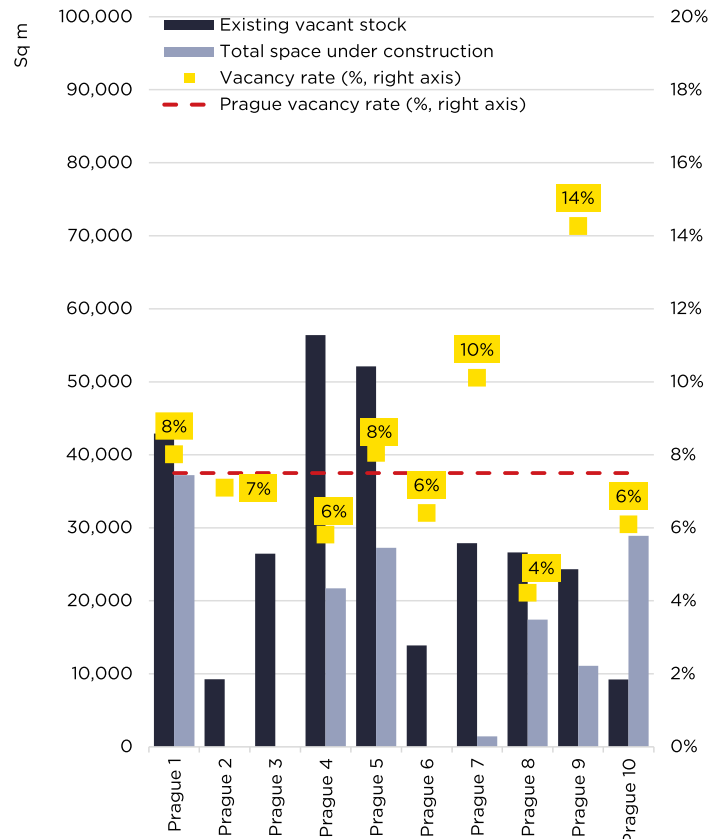
Rent Levels

- From the end of 2022, prime headline rents for Class A offices located in the city centre increased by €0.50 to €26.50-€27.00 per sq m a month. However, exceptions still occur and best-in-class offices (especially those under construction and recently completed) could exceed €30.00 and on the other hand, some Class A offices in the city centre continued to be offered for €17.50-€18.00 per sq m a month.
- Class A units in the inner city locations grew by €0.25 to the latest €17.75-€18.25 per sq m a month. And projects in the outer locations farther away from the historic city centre remained unchanged at €15.00-€16.00.
- Headline rents for Class B offices in the city centre of Prague mostly range between €14.00-€17.00 per sqm a month.

Vacancy



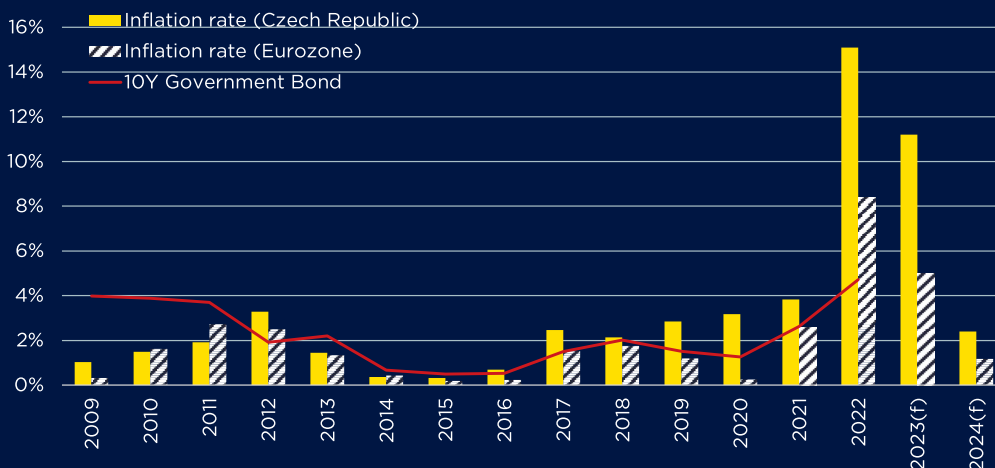
Vacancy in Prague Districts



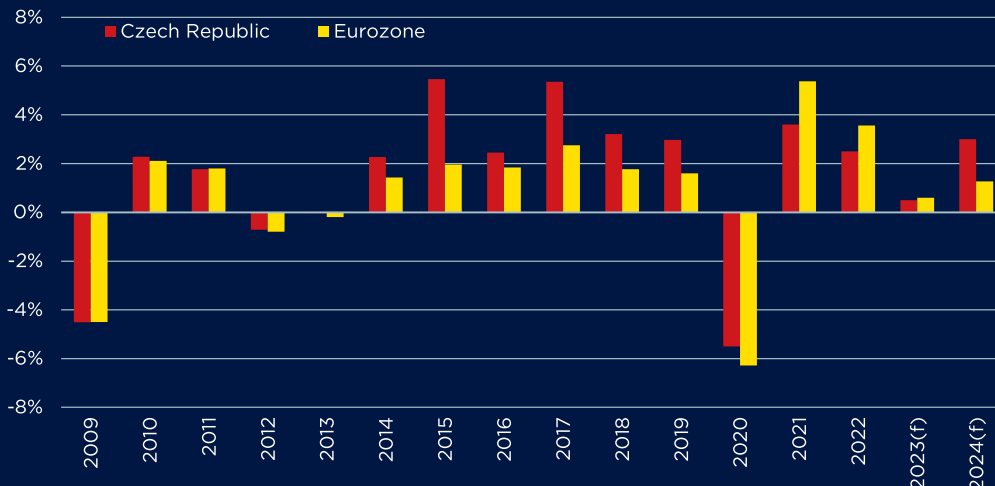
Macroeconomic highlights¹

- **GDP GROWTH:** Even though the Czech economy has been in a mild recession since Q3 2022, economic activity is expected to recover in the second half of the year, resulting in economic growth of 0.5% in 2023 (against the predicted decline of 0.5%).
- **INFLATION:** A period of markedly higher inflation will continue in 2023, although, it should decline at a rapid pace during the first half of this year and then reach high single-digit levels in the second half of the year. Hence, the average inflation rate could reach 11.2%.
- **UNEMPLOYMENT:** The market continues to experience labour shortages. In February 2023, general unemployment rate remained unchanged on a y-o-y basis and stood at 2.5%. For 2023, it is forecast to rise to 3%.
- **RETAIL SALES:** Price-adjusted retail sales fell for the 10th time in a row by 6.4% on a y-o-y basis in February 2023, with food sales down by 7.6% and non-food sales down by 7.1%. Given the projection, improvements in retail sales are not anticipated in the next months.

Inflation Rate and 10Y Government Bond¹



GDP Growth¹



11.2%

CPI INFLATION
2023 PREDICTION
(15.1% IN 2022)

+0.5%

GDP GROWTH
2023 PREDICTION
(+2.4% IN 2022)

2.5%

NATIONAL
UNEMPLOYMENT
(FEBRUARY 2023)

€1,595

GROSS MONTHLY SALARY
(NATIONAL MEDIAN IN
Q4 2022)

-6.4% YoY

RETAIL SALES
(FEBRUARY 2023)

2.6%

3M EURIBOR
(Q1 2023)

7.2%

3M PRIBOR
(Q1 2023)

¹ Based on the data available on 12/04/2023 (Source: CNB, Ministry of Finance).

Used Terms

STOCK means the total completed office space (occupied and vacant), newly built or refurbished after 1990, including A and B class offices, owner occupied space and premises for lease. Buildings with usable area lower than 1,000 sq m are excluded.

NEW SUPPLY includes the total rentable area of offices in all buildings where construction or refurbishment was completed (use permit obtained) during the specified period of time.

GROSS TAKE-UP represents the total office floor space known to have been let or pre-let, sold or pre-sold to tenants or owner-occupiers over a specified period. It does not include space that is under offer. A property is taken up when a contract (Future Lease Agreement / Lease Agreement / Amendment / Sublease contract) is signed. Total take-up also includes renegotiations, lease extension and subleases. Short-term leases (for less than 12 months) are not monitored.

NET TAKE-UP follows the same principles as Gross Take-up, but excludes lease renegotiations and prolongations of previously signed lease agreements and subleases.

VACANCY RATE is the ratio of physically and contractually vacant office space in completed buildings on the total office stock.

PRIME RENT is the achieved headline rent that relates to new prime, high specification office units in prime locations. However, there might be exceptional assets on the market, in which higher rent could be achieved. Headline rents exclude any incentives provided by the landlord and also excludes service charges.

SUBLEASE is when a tenant, who has a lease agreement signed with the building owner, leases all or part of these premises to another tenant (a third party).

NET ABSORPTION reflects the change in occupied office space on the market over a given period. It can be both positive and negative.

YEAR-ON-YEAR (y/y or YoY) is the percentage or volume change compared to twelve months or four quarters previously.

CITY CENTRE includes majority of the Prague 1 district, specifically the Old Town and New Town city areas situated on the right bank of the Vltava river.

INNER CITY includes the remaining part of Prague 1 (Malá Strana city area), entire Prague 2, entire Prague 3, part of Prague 4 (Vyšehrad, Pankrác, Podolí, Kavčí hory), part of Prague 5 (vicinity of the Anděl and Smíchovské nádraží metro stations), entire Prague 7, part of Prague 8 (Karlín, Libeň and Palmovka), part of Prague 6 (mainly Hradčany, Bubeneč and partly Střešovice).

OUTER CITY represents the rest of the city (e.g. Zličín, Nové Butovice, Radlice, Jinonice, Modřany, Chodov, Vysočany, Malešice, Horní Počernice, Prosek, Letňany, Troja, Kobylisy and others).

PRF (PRAGUE RESEARCH FORUM) is a voluntary, non-binding organization founded to enable a cooperation in market research. Its members share non-sensitive information with the aim of providing clients with consistent, accurate and transparent data about the Prague office market.

As data quality and accuracy is important to us, some figures may change even retrospectively due to regular revisions.



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