

# Prague Office Market

savills



## Quarterly Statistics

### Total Stock

**3.85**  
million sq m

Q2 2022: 3.78 mil. sq m  
YoY change: +2%

### Gross Take-Up

**148,800**  
sq m

Q2 2022: 121,200 sq m  
YoY change: +23%

### Net Take-Up

**66,900**  
sq m

Q2 2022: 80,400 sq m  
YoY change: -17%

### Vacancy Rate

**7.26%**

Q2 2022: 8.23%  
YoY change: -97 bps

### Completions

**0** sq m

Q2 2022: 22,700 sq m  
YoY change: n/a

## Economic Indicators<sup>1</sup>

### GDP Growth

**-0.6%**  
(Q2 2023 Forecast)

2022: +2.4%  
2023 Forecast: -0.4%

### Inflation

**9.7%**  
(in June 2023)

2022: 15.1%  
2023 Forecast: 10.6%

### Policy Rates

**3.4%**  
3M EURIBOR\*

2022: 0.3%  
2023 Forecast: 3.5%

### Unemployment

**2.6%**  
(in June 2023)

2022: 2.4%  
2023 Forecast: 2.8%

### Gross Monthly Salary

**€1,460**  
(national median)

2022: €1,410  
YoY change: +8.8%

<sup>1)</sup> Based on the data available on 4/8/2023 (Data Source: ČSÚ)

\* Q2 2023 average

# Office market highlights

- Total modern office inventory in Prague remained at 3.85 million sq m at the end of H1 2023, as no office building reached completion during Q2 2023. New office space supplied to the Prague market during H1 2023 remained at 38,000 sq m, which still resulted in a 33% increase compared to H2 2022 but a 22% drop year-on-year (y-o-y). The expected annual new supply for 2023 came down to 104,800 sq m.
- At the end of June 2023, 7.3% (i.e. 279,600 sq m) of all Prague office stock was available for lease, the lowest vacancy rate since Q4 2020.
- Net demand for offices is still above pre-Covid average. Historically, net leasing activity from 2011-2019 averaged 123,300 sq m through the first half of each year. In H1 2023, Prague has experienced 141,100 sq m of net take-up, 14% above the 2011-2019 average but 8% below this time last year. Net demand in H1 2023 was driven by occupiers from the Technology (13%), Pharmaceutical / Medical (12%) and Manufacturing (12%) sectors.
- Gross office take-up totalled 284,700 sq m in H1 2023, being up by 12% y-o-y and almost identical to the H2 2022 levels. In the first half of 2023, the market witnessed a positive absorption of 66,800 sq m (compared to 30,400 sq m in H1 2022).

## Quarterly market statistics

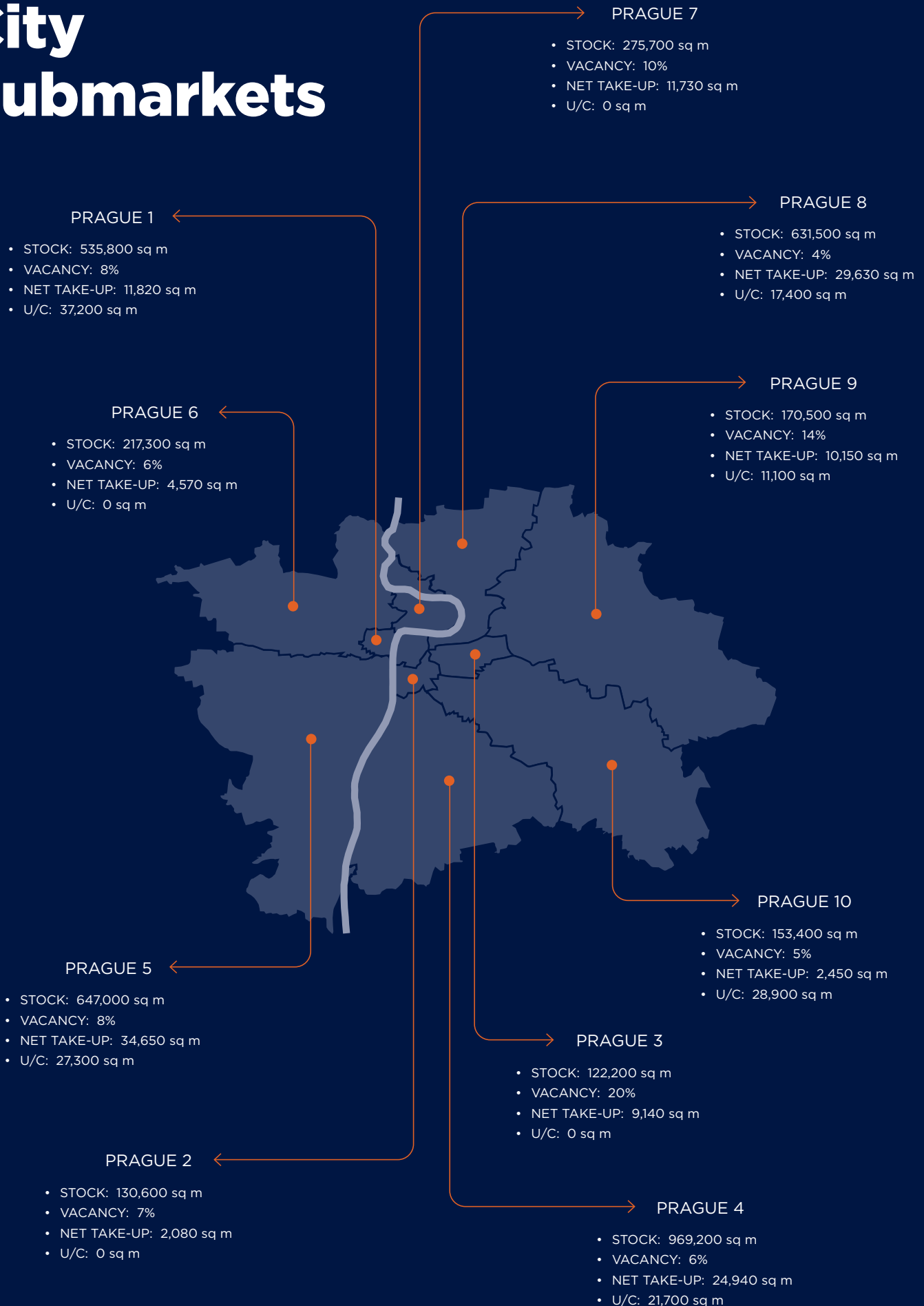
| Key Market Indicators | Gross Take-up (sq m) | Net Take-up (sq m) | New Completions (sq m) | Vacancy at Quarter End |
|-----------------------|----------------------|--------------------|------------------------|------------------------|
| Current quarter       | 148,800              | 66,900             | 0                      | 7.26%                  |
| Previous quarter      | 135,800              | 61,600             | 38,000                 | 7.66%                  |
| YoY movement          | +23%                 | -17%               | n/a                    | -97 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           | 284,700              | 141,100            | 38,000                 | 3,853,200          |
| YoY movement          | +12%                 | -8%                | -22%                   | +2%                |



# City Submarkets



# Q2 2023 Review

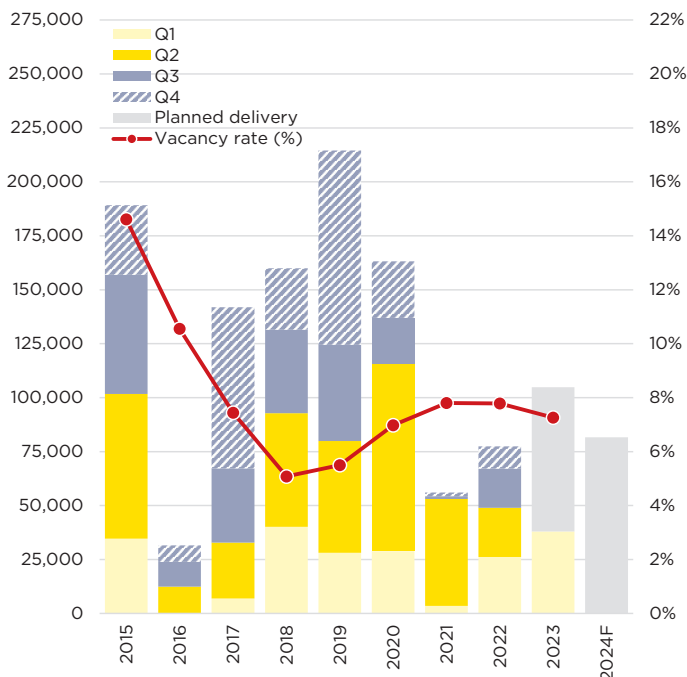
## New Supply and Construction Pipeline

- The total volume of office space in the Czech capital stayed at 3.85 million sq m. The largest office district traditionally remained Prague 4, which contains 25% of the city's office stock, followed by Prague 5 (17%) and Prague 8 (16%).
- The construction pipeline volume stayed at 143,600 sq m, with no groundbreakings taking place in Q2 (for the fourth consecutive quarter) and no deliveries. Approximately 52% of current under construction space in Prague is pre-leased.
- The most extensive construction is underway in Prague 1, where the volume of new supply surpasses 37,200 sq m in 5 projects. The Prague 10 city district followed with almost 28,900 sq m of office space under construction and Prague 5 was next in line with 27,300 sq m.
- This year's annual supply is forecast at 104,800 sq m (down from 128,000 sq m last quarter), which would still be higher than in the two preceding years but 23% below the 2011-2019 pre-Covid average (and 30% down on the 5-year average). The volume of new office completions is expected to drop further in 2024, totalling approximately 80,000 sq m.

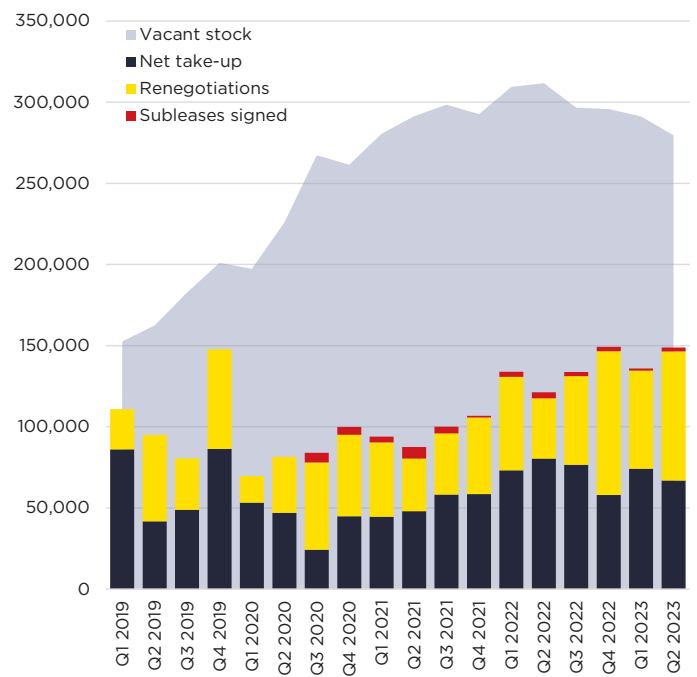
## Occupier Demand

- Total leasing activity amounted to 148,800 sq m in Q2 2023, propelled by two large renewals (the largest so far this year). Marking an increase of 10% q-o-q and 23% y-o-y, this has also been the second highest quarterly gross take-up recorded since Q4 2018. Lease renegotiations played a significant role in Q2 2023, accounting for 53% of total activity and representing 79,500 sq m of the total transaction volume.
- The most active submarket was Prague 4, where gross activity totalled 61,000 sq m and represented 41% of all lease commitments signed in Q2 2023. Prague 5 followed with 23,900 sq m and Prague 1 contributed to the city's gross take-up with 20,700 sq m.
- Although gross demand recorded an increase, net leasing activity declined 10% q-o-q and 17% y-o-y. Nonetheless, with 66,900 sq m, the Q2 2023 net leasing activity was still at above average levels. Class A buildings commanded the lion's share of net demand in Q2, accounting for 81% of net take-up (and 84% in H1 2023). Class B net leasing made up just 19% of net demand in Q2 2023. The largest share of net take-up came from companies in the Technology sector (18%) and Pharmaceutical / Medical sector (15%).

## New Supply (in sq m)



## Take-up (in sq m)



# Q2 2023 Review

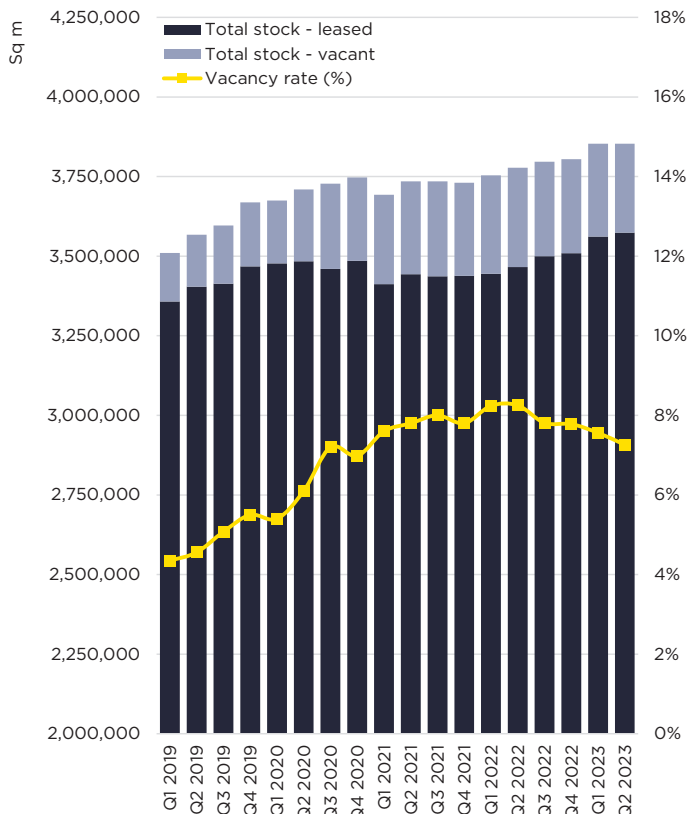
## Vacancy Rate

- Vacancy rate in Prague has been marginally declining from Q3 2022 and at the end of June 2023 was at 7.3%, the lowest level since Q4 2020. Translated to floorspace area, this represented 279,600 sq m of immediately available office space.
- The highest volume of vacant offices in Q2 2023 was found in Prague 4 (53,800 sq m), nevertheless, at 5.6% its vacancy rate was the third lowest amongst the city districts. The second highest volume of available offices was recorded in Prague 5 (50,700 sq m) with vacancy rate dropping to 7.8%. These two submarkets also still dominate the overall Prague office inventory ranking with almost 42% share of total office stock.
- The area of premises offered for sublease totalled 56,000 sq m, indicating a 22% q-o-q decrease, converted to existing total stock this represented only 1.4%. Combining these premises with the officially vacant offices, the overall vacancy rate would increase to 8.7%.

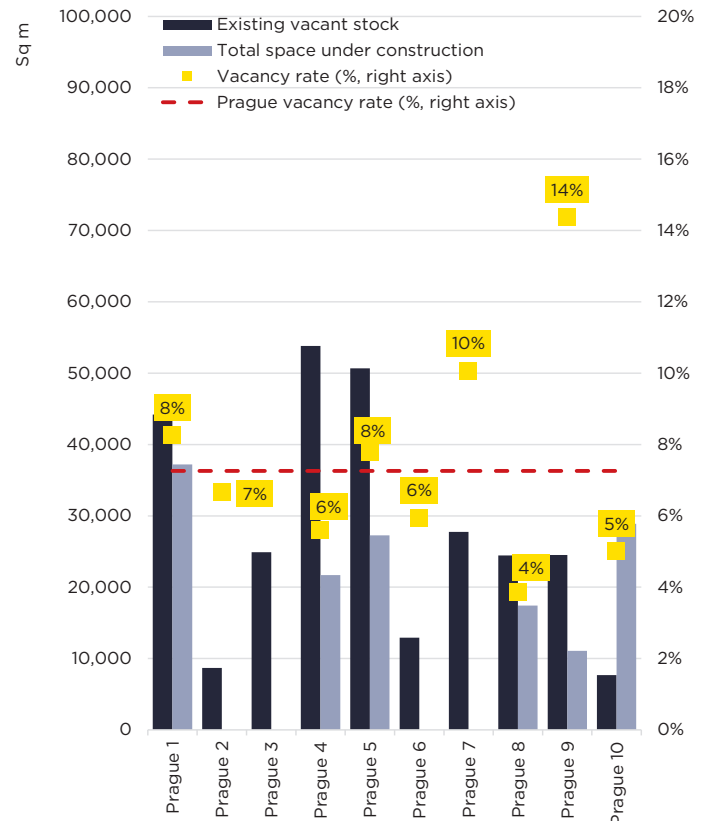
## Rent Levels

- Prime headline rents for Grade A offices in the city centre remained stable this quarter and still mostly ranged from €26.50 to €27.00 per sq m a month, having grown by 6% from Q2 2022. Asking headline rents in exceptional office buildings (often those under construction or planned) continue to probe at upper €20's range up to €33.00 (excluding monthly service charges and utility costs).
- Headline rent levels for Grade A offices in the inner centre stood at €17.75-€18.25 per sq m a month and €15.00-€16.00 in the outer parts of the city.
- Incentives offered by landlords still typically amount to 1-1.5 month rent free for each year of the lease. Fit-out contributions generally reach €180-€250 per sq m. This applies to Grade A developer's finish (open plan including raised floor and suspended ceilings etc.).

## Vacancy



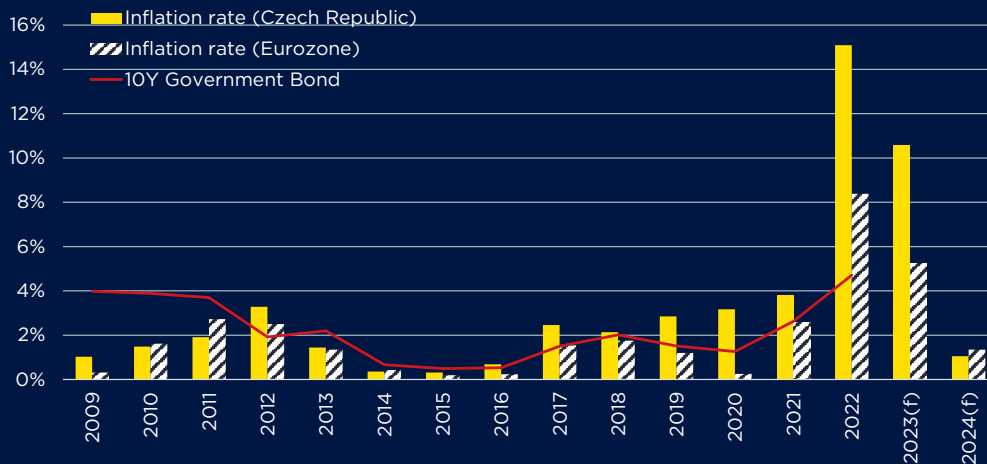
## Vacancy in Prague Districts



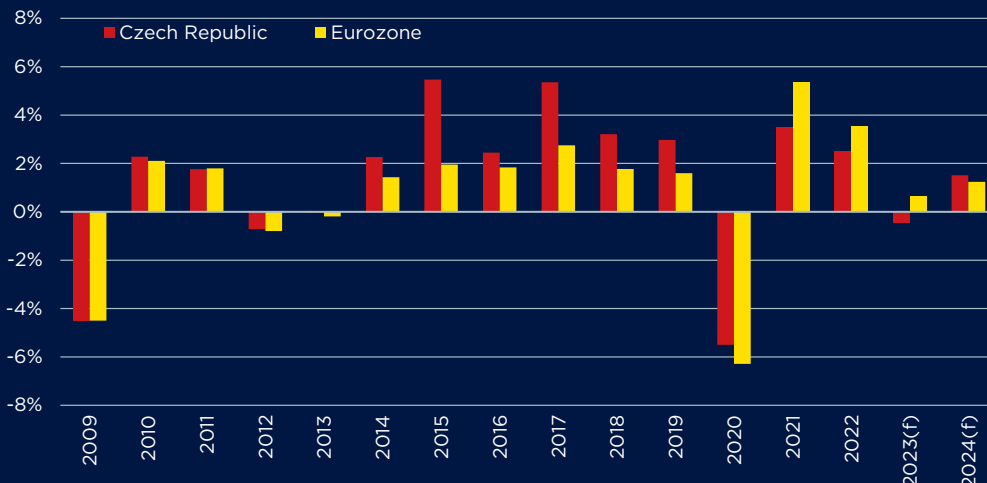
# Macroeconomic highlights<sup>1</sup>

- **GDP GROWTH:** In Q2 2023, according to the preliminary estimate, gross domestic product fell by 0.6% y-o-y. The decline was mainly caused by lower household final consumption expenditure and lower gross capital formation. External demand had a positive effect.
- **INFLATION:** In June, the inflation rate had returned to single digits for the first time since January 2022, standing now at 9.7% y-o-y. The annual CPI fell for the fifth month in a row. The biggest influence on annual growth in the price level in June was again in the housing section.
- **UNEMPLOYMENT:** While the unemployment rate appeared to be rising at the beginning of the year, it fell again in June to 2.6%, representing a slight increase of 0.1% compared with the same period last year. The unemployment rate was 2.1% for men and 3.0% for women.
- **RETAIL SALES:** In June 2023, price-adjusted retail sales continued to decline on a y-o-y basis for the thirteenth consecutive month, this time by 4.1%. Lower sales were recorded by both food (6.6%) and non-food (5.3%) sales stores. In turn, fuel sales rose by 12.2%.

## Inflation Rate and 10Y Government Bond<sup>1</sup>



## GDP Growth<sup>1</sup>



# 10.6%

CPI INFLATION  
2023 PREDICTION  
(15.1% IN 2022)

# -0.4%

GDP GROWTH  
2023 PREDICTION  
(+2.4% IN 2022)

# 2.6%

NATIONAL  
UNEMPLOYMENT  
(JUNE 2023)

# €1,460

GROSS MONTHLY SALARY  
(NATIONAL MEDIAN IN  
Q1 2023)

# -4.1% YoY

RETAIL SALES  
(JUNE 2023)

# 3.4%

3M EURIBOR  
(Q2 2023)

# 7.2%

3M PRIBOR  
(Q2 2023)

<sup>1</sup>) Based on the data available on 4/8/2023 (Source: ČSÚ)

# 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 / TOTAL LEASING ACTIVITY** 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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