

Prague Office Market

savills



Quarterly Statistics

Total Stock

3.91
million sq m

Q3 2022: 3.80 mil. sq m
YoY change: +3%

Gross Take-Up

88,200
sq m

Q3 2022: 133,700 sq m
YoY change: -34%

Net Take-Up

41,800
sq m

Q3 2022: 76,600 sq m
YoY change: -45%

Vacancy Rate

7.40
%

Q3 2022: 7.77%
YoY change: -37 bps

Completions

60,400
sq m

Q3 2022: 18,200 sq m
YoY change: +232%

Economic Indicators¹

GDP Growth

-0.6%
(in Q2 2023)

2022: +2.4%
2023 Forecast: -0.4%

Inflation

6.9%
(in September 2023)

2022: 15.1%
2023 Forecast: 10.8%

Policy Rates

3.7%
3M EURIBOR*

2022: 0.3%
2023 Forecast: 3.5%

Unemployment

2.6%
(in August 2023)

2022: 2.4%
2023 Forecast: 2.8%

Gross Monthly Salary

€1,496
(national median)

2022: €1,410
YoY change: +7.9%

¹) Based on the data available on 23/10/2023 (Data Source: ČSÚ, Czech National Bank)

*) Q3 2023 average

Office market highlights

- During Q3 2023, the total stock of modern office space in Prague increased to 3.91 million sq m. The share of Grade A offices still stood at 74%.
- A total of nine new buildings and one refurbishment were completed so far this year. The total floorspace area of new deliveries totalled 98,400 sq m, being 47% higher compared to the same period in 2022.
- From the previous quarter, vacancy rate in Prague rose from 7.0% to 7.4% and represented 289,200 sq m of immediately available office space. Compared to Q3 2022, office vacancy rate is down by 37 bps.
- After three quarters, year-to-date gross take-up stands at 361,300 sq m (only 7% down y-o-y) and lease renewals accounted for almost 50%. Net year-to-date office demand amounted to 176,100 sq m, demonstrating a 23% drop y-o-y. The Technology/IT sector again ranks as the most active, accounting for 13% of year-to-date net take-up, indicating the continued growth of this sector and its significant importance to office demand. A similar share (12%) was also represented by tenants from the Pharmaceutical sector.

Quarterly market statistics

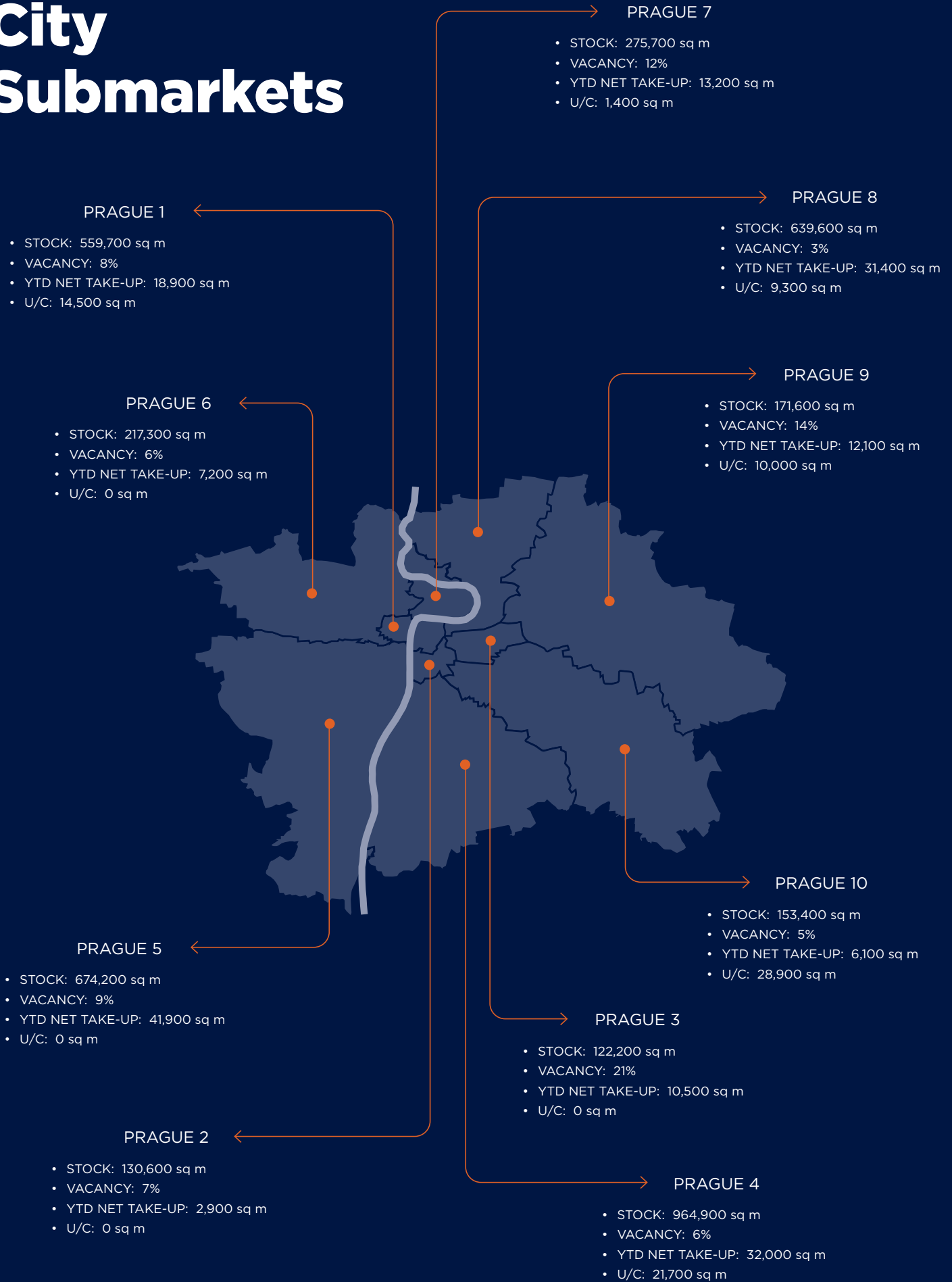
Key Market Indicators	Gross Take-up (sq m)	Net Take-up (sq m)	New Completions (sq m)	Vacancy at Quarter End
Current quarter	88,200	41,800	60,400	7.40%
Previous quarter	138,300	60,100	0	7.03%
YoY movement	-34%	-45%	+232%	-37 bps

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	361,300	176,100	98,400	3,909,100
YoY movement	-7%	-23%	+47%	+3%



City Submarkets



Stock, vacancy and U/C (space under construction) represent current quarter data, Net take-up shows cumulative year-to-date figures.
Data Source: Prague Research Forum

Q3 2023 Review

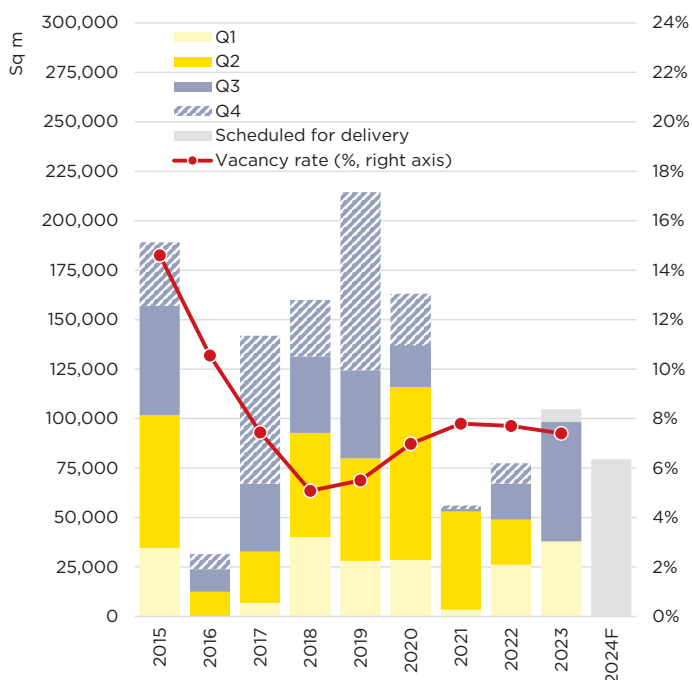
New Supply and Construction Pipeline

- Throughout Q3 2023, six office buildings were completed in Prague, adding a total of 60,400 sq m of office space to the market. This was a significant increase against the previous quarter, when no new buildings were delivered, and also y-o-y (+231%). Only one more project is to be completed by the end of the year, the refurbishment of Palace Dunaj in Prague 1, and so the annual new supply should reach 105,000 sq m (22% below the five-year average). The volume of new office deliveries is to fall further in 2024 (to approximately 80,000 sq m).
- At the end of Q3 2023, the total office space in Prague stood at 3.91 million sq m and the volume of the higher-quality Grade A offices grew to 2.89 million sq m. The largest share of the space is located in the wider city (56%), with 29% located in the outer and peripheral parts of Prague and only 15% of the total office inventory is found in the centre of Prague.
- There were no new groundbreakings in Q3 2023 but refurbishment works started at the VN 62 building (1,200 sq m) in Prague 1. The volume of space under development fell to 85,800 sq m with the majority of space being delivered to Prague 10 (34%), Prague 4 (25%) and Prague 1 (17%). As the volume of office space under way remains low, future opportunities for occupiers' expansion or relocation will likely be limited in the coming years.

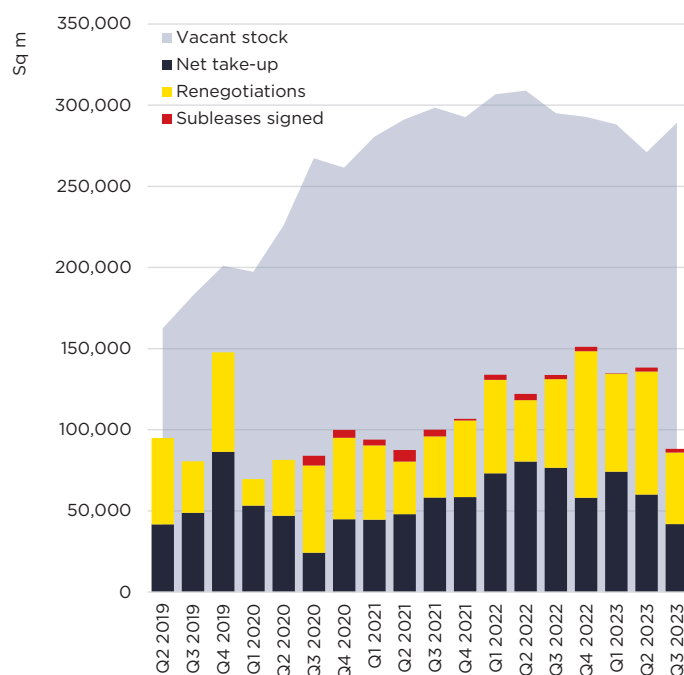
Occupier Demand

- At 88,200 sq m, the Q3 2023 leasing activity was significantly lower than in previous quarters, 36% down on Q2 2023 and a 19% drop y-o-y. It was also the lowest quarterly result recorded since Q2 2021. New leases and expansions combined made 45% of the quarter's gross take-up. Renegotiations saw a 42% decline but accounted for 50% of total demand, suggesting that companies are looking closely at ways to optimise existing leases. Subleases accounted for 3% and pre-lets made 2% of the Q3 gross activity.
- Geographically, the Prague 4 district was again at the forefront of the gross as well as net take-up in Q3 2023, reflecting the constant appeal of the area. All leasing transactions signed in this submarket totalled 19,200 sq m (22% of the quarter's gross take-up) and of that 8,500 sq m were new leases.
- Net leasing activity remained sluggish and fell for the third quarter in a row. In Q3 2023, the net demand volume dropped to a "covid level" of 41,800 sq m, being 30% down on the previous quarter and 34% y-o-y. Tenants from the Professional services sector (14%) had the highest share of net leasing activity this quarter, followed by the Construction sector (12%) and Technology/IT companies (11%).

New Supply



Take-up



Q3 2023 Review

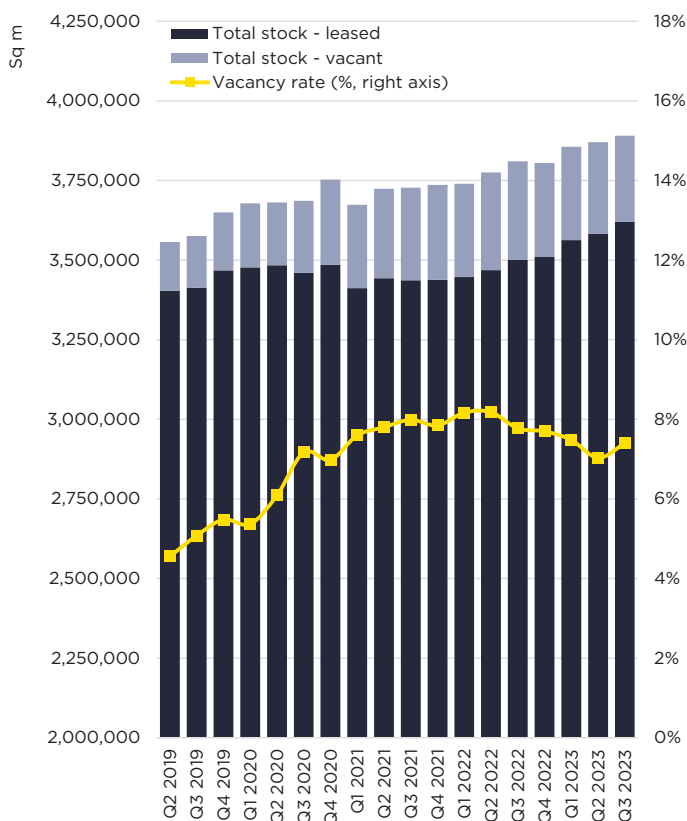
Vacancy Rate

- Prague's office vacancy rate has been fluctuating in recent years. In Q3 2023, there was a slight increase of 37 bps to 7.40%. Translated to floorspace area, office space totalling 289,200 sq m was available for lease across the city.
- The highest volume of vacant offices (in sq m) was found in the largest office hubs - Prague 4 (58,900 sq m) and Prague 5 (54,800 sq m). The lowest volume of space on offer was in Prague 10 and Prague 2. Considering the share of vacant space on total stock, Prague 3 posted the highest vacancy rate (21%), followed by Prague 9 (14%). The highest occupancy rate was recorded in Prague 8 (97%), confirming its reputation as a sought-after office location. This may pose a challenge for companies looking to enter this district in the future.
- The volume of occupied space offered for sublease fell by 19% from the start of the year and in Q3 totalled around 57,600 sq m. The majority was, again, located in the Prague 5 and Prague 4 districts.

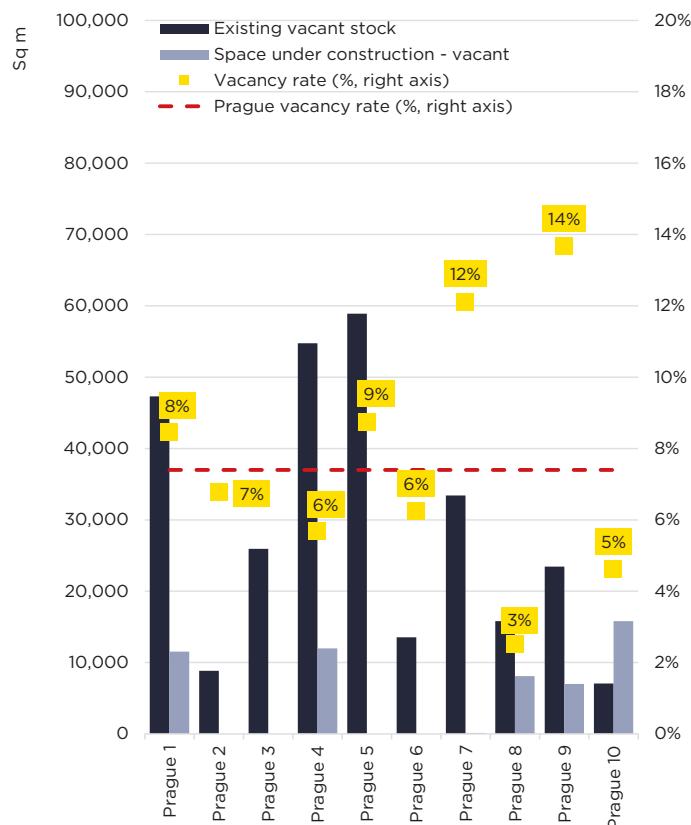
Rent Levels

- In Q3 2023, headline rents for offices at high quality Grade A buildings in the city centre remained stable at €26.50-€27.00 per sq m per month, having risen by around €0.50 y-o-y and by €4.50 (i.e. 20%) over the last two years. Offices in exceptional projects are still offered at headline rates (excluding any incentives) exceeding €30.00 per sq m per month. Premises in Grade B buildings in the centre of Prague are mostly offered at €13.50-€15.00.
- Headline rents for Grade A offices located in the wider centre of Prague (which includes Prague 2, Prague 3, Prague 7, part of Prague 8, part of Prague 4 and other locations) saw a slight increase over the past quarter. The range of rents in these locations increased from €17.75-€18.25 to the current €17.75-€18.50 per sq m per month.
- Headline rates at office buildings in peripheral parts of Prague (e.g. Zličín, Butovice, Radlice, the whole of Prague 9 or Prague 10) have stabilised in the range of €15.00-€16.00 and have not changed in the past year.

Vacancy



Vacancy in Prague Districts



Macroeconomic highlights¹

- **GDP GROWTH:** Despite the optimistic forecast from earlier this year, the projected GDP growth for 2023 is still in negative territory - estimated to decline by 0.4%. With a positive contribution from external and domestic demand, real GDP could increase by 1.2% in 2024.
- **INFLATION:** In September 2023, the inflation rate had remained in single digits, standing at 6.9% y-o-y. In a y-o-y comparison, CPI fell for the eighth month in a row but, according to latest forecasts, annual inflation rate is expected to remain high with an average rate of around 11% for the current year and potentially fall to 2.6% in 2024.
- **UNEMPLOYMENT:** Although there was a slight uptick in unemployment during the previous two months, the rate dropped to 2.6% in August 2023, reflecting a y-o-y increase of 0.2%.
- **RETAIL SALES:** In August 2023, price-adjusted retail sales continued to decline on a y-o-y basis for the sixteenth consecutive month, this time by almost 3%. Lower sales were recorded by both food (-3%) and non-food (-4%) stores. Online shops saw their sales increase by 3%.

10.8%

CPI INFLATION
2023 PREDICTION
(15.1% IN 2022)

-0.4%

GDP GROWTH
2023 PREDICTION
(+2.4% IN 2022)

2.6%

NATIONAL
UNEMPLOYMENT
(AUGUST 2023)

€1,496

GROSS MONTHLY SALARY
(NATIONAL MEDIAN IN
Q2 2023)

-2.8% YoY

RETAIL SALES
(AUGUST 2023)

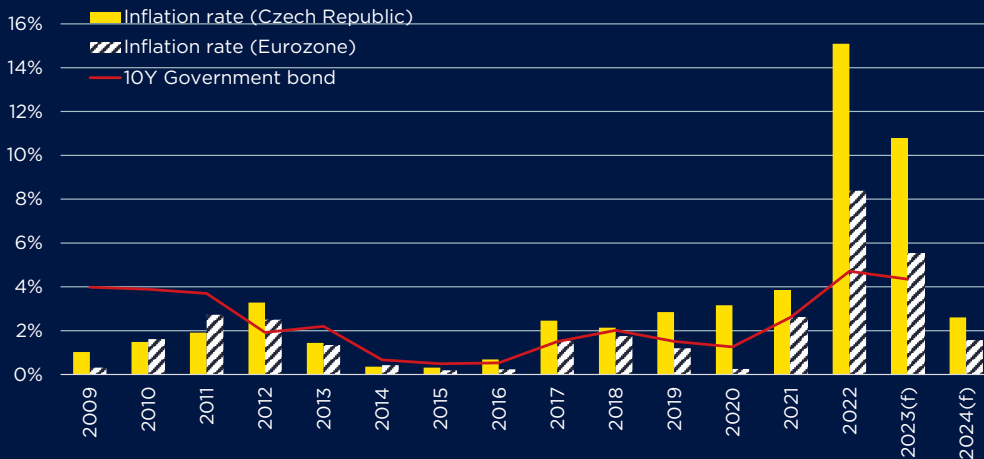
3.7%

3M EURIBOR
(Q3 2023)

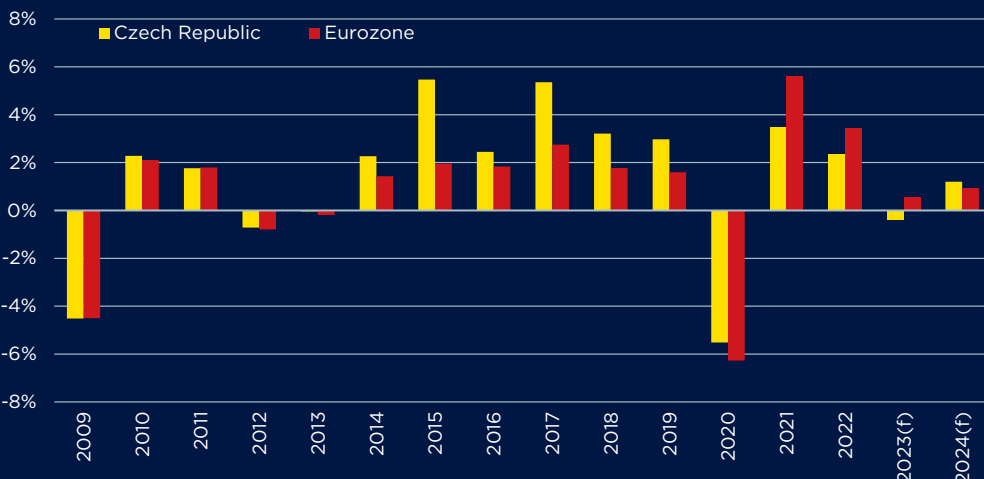
7.1%

3M PRIBOR
(Q3 2023)

Inflation Rate and 10Y Government Bond¹



GDP Growth¹



¹ Based on the data available on 23/10/2023 (Source: ČSÚ, Czech National Bank)

Used Terms

STOCK means the total completed office space (occupied and vacant), newly built or refurbished after 1990, including Grade A and Grade B 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 subleases and lease renegotiations and prolongations of previously signed lease agreements.

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 the 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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