

# Prague Office Market



## Quarterly Statistics

### Total Stock

**3.91**  
million sq m

Q4 2022: 3.80 mil. sq m  
YoY change: +3%

### Gross Take-Up

**166,700**  
sq m

Q4 2022: 151,700 sq m  
YoY change: +10%

### Net Take-Up

**62,600**  
sq m

Q4 2022: 58,600 sq m  
YoY change: +7%

### Vacancy rate

**7.20**  
%

Q4 2022: 7.70%  
YoY change: -50 bps

### Completions

**0**  
sq m

Q4 2022: 10,300 sq m  
YoY change: n/a

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

### GDP Growth

**-0.2%**  
(in Q4 2023, YoY)

2023 -0.4%  
2024 Forecast: 1.2%

### Inflation

**6.9%**  
(in December 2023)

2023: 10.7%  
2024 Forecast: 3.1%

### Policy Rates

**4.0%**  
3M EURIBOR\*

2023: 3.4%  
Q4 2024 Forecast: 3.4%

### Unemployment

**3.7%**  
(in December 2023)

2023: 2.6%  
2024 Forecast: 2.8%

### Gross Monthly Salary

**€1,553**  
(national median)\*\*

Q3 2022: €1,424  
YoY change: +7.1%

<sup>1</sup>) Based on the data available on 01/02/2024 (Source: Czech Statistical Office, Czech National Bank, Ministry of Finance)

\* ) Q4 2023 average

\*\* ) in Q3 2023

# Office market highlights

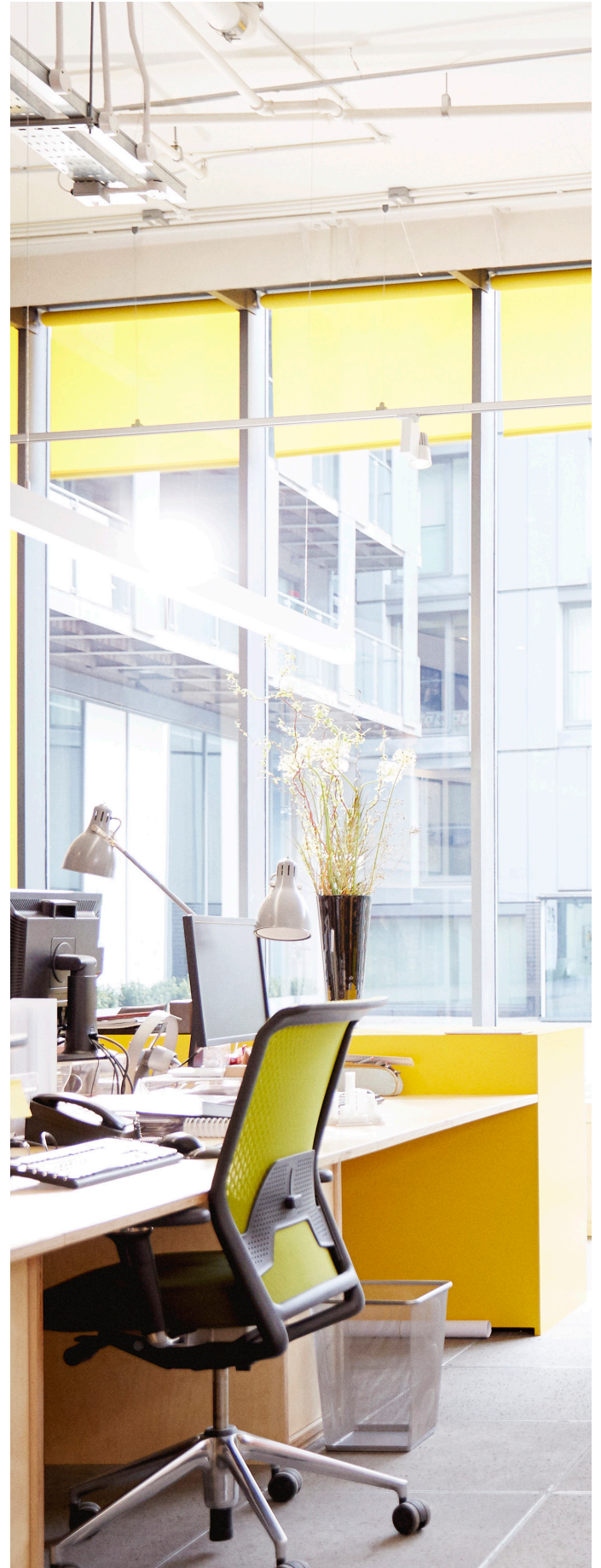
- Total modern office stock remained slightly above 3.9 million sq m at the end of 2023. In the Prague market, ten buildings (including one refurbishment) in seven locations were completed during 2023. The annual new supply came to 98,400 sq m, the highest in the last three years but still 28% below the five-year annual average\*. Apart from the refurbishment of one smaller building, no new office project construction was launched throughout the whole year.
- The office vacancy rate mildly fluctuated during 2023 and closed the year at 7.2%, the second lowest since Q4 2020 (and a 50 bps y-o-y decline). Thus, Prague had 280,700 sq m of vacant office space spread across 195 buildings.
- Total leasing activity reached 525,300 sq m in 2023, only 3% below the previous year and 18% above the five-year average\*. Compared to the pre-covid five-year average, tenant activity in 2023 was 11% higher. Net take-up, on the other hand, dropped by 17% y-o-y and totalled 238,900 sq m in 2023, staying a quarter below the pre-pandemic five-year average (and 7% below the average for the last five years\*).
- Net absorption showed positive values in 2023 and reached 127,000 sq m and surpassed the previous year's result (72,200 sq m).

## 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	166,700	62,600	0	7.2%
Previous quarter	85,500	42,100	60,400	7.7%
YoY movement	+10%	+7%	-	-50 bps

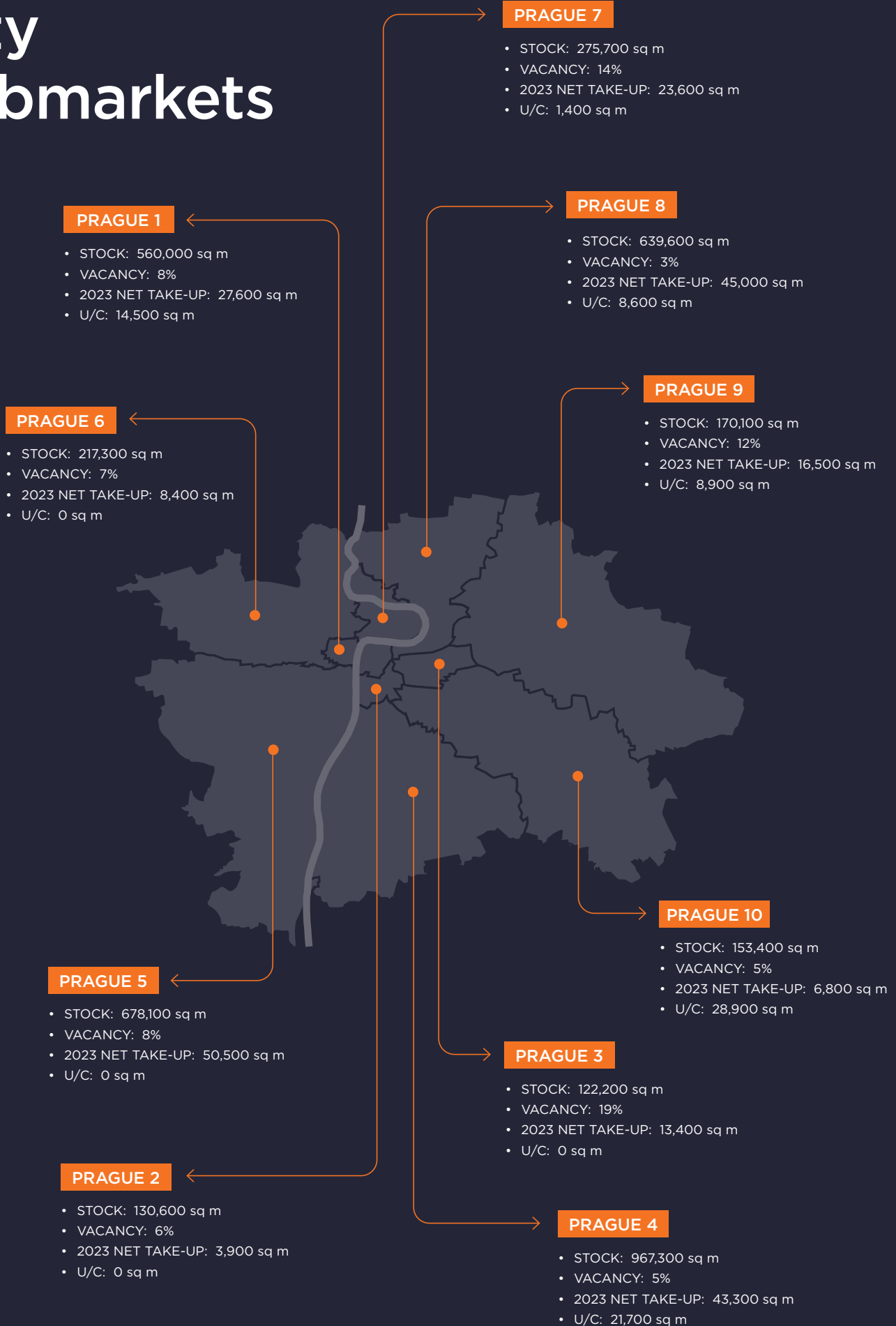
## Annual market statistics for 2023

Key Market Indicators	Gross Take-up (sq m)	Net Take-up (sq m)	New Completions (sq m)	Total Stock (sq m)
YTD figures	525,300	238,900	98,400	3,914,400
YoY movement	-3%	-17%	+30%	+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

# Market Review Q4 2023

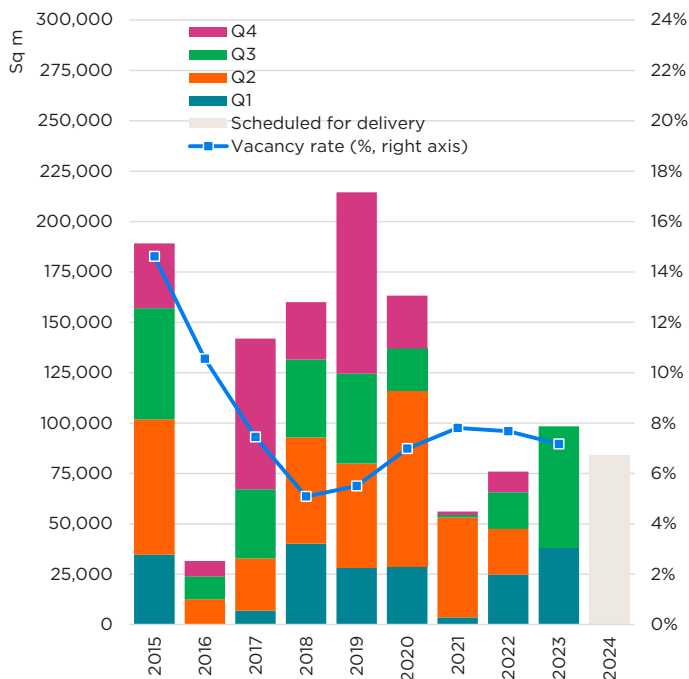
## New Supply and Construction Pipeline

- The total modern office inventory in Prague remained unchanged in Q4 as no new project was completed during this period. The floorspace area of Grade A buildings thus stabilised at 2.9 million sq m (74% of all space). Prague 4 remained the largest office submarket by a wide margin (25% of all Prague offices), followed by Prague 5 (17%) and Prague 8 (16%).
- In 2024, up to 84,000 sq m is expected to be delivered in ten buildings (six of which are refurbishments). Around 44% of this space is already pre-leased and so up to 46,800 sq m of new vacant offices will be delivered to the market. In 2025, the volume of completed construction will fall to the lowest level in the last ten years and new supply will probably not exceed 17,000 sq m.
- This weakening development activity can be attributed to several factors - a substantial surge in construction costs, which has recently exerted pressure on the construction sector; lengthy and costly permitting process that is holding construction back and making it more expensive in the long term; and increased interest rates that raised the cost of financing. Despite an increase in market rents, the growth has not adequately offset the elevated costs for developers. Higher interest rates also mean that investors expect higher rates of return when acquiring a property, resulting in a lower absolute value of the asset upon sale.

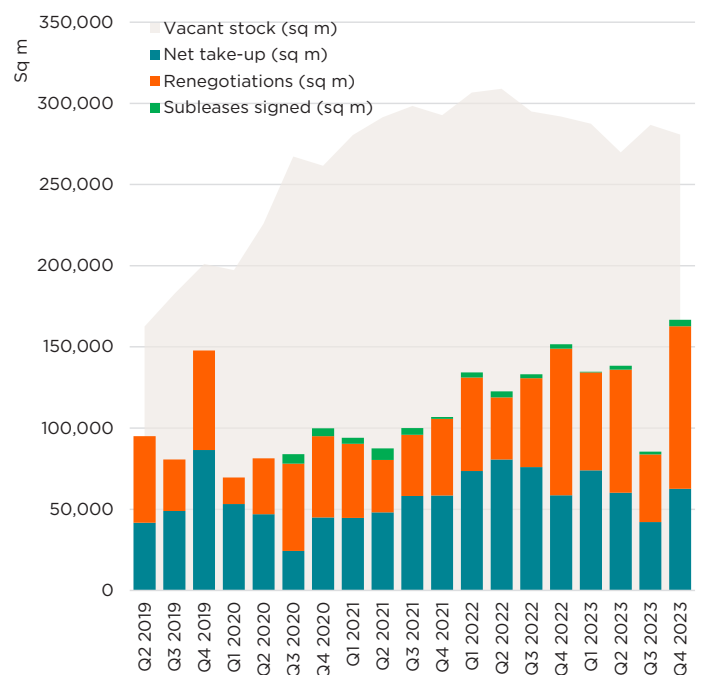
## Occupier Demand

- Q4 saw the highest level of total leasing activity for the year and was the strongest quarter since the Q4 2018. Gross take-up increased by 95% q-o-q and totalled 166,700 sq m in this quarter. Compared to the same period last year, tenant activity in Q4 2023 was up by 10%.
- Net leasing activity in Q4 was 62,600 sq m and accounted for only 38% of all transactions, compared to almost half (49%) in the previous quarter. Net take-up was up 49% from the previous quarter and 7% higher y-o-y. However, in the longer term, Q4 2023 results were a quarter lower than the quarterly pre-Covid average. Nearly 82% of net leasing activity in Q4 2023 was recorded in Grade A buildings and, in terms of geography, the majority of new space was leased (and pre-leased) in the Prague 8 submarket (23%), Prague 4 (18%) and Prague 7 (16%).
- Considering net leasing activity, IT/Technology companies (31%) and tenants from the Professional Services segment (8%) were the most active in Q4. For the full year 2023, IT/Technology companies remained in the lead with an 18% share, followed by Pharmaceutical tenants with a 10% share (identical to the share achieved by tenants from the Manufacturing sector).

## New Supply



## Take-up



# Market Review Q4 2023

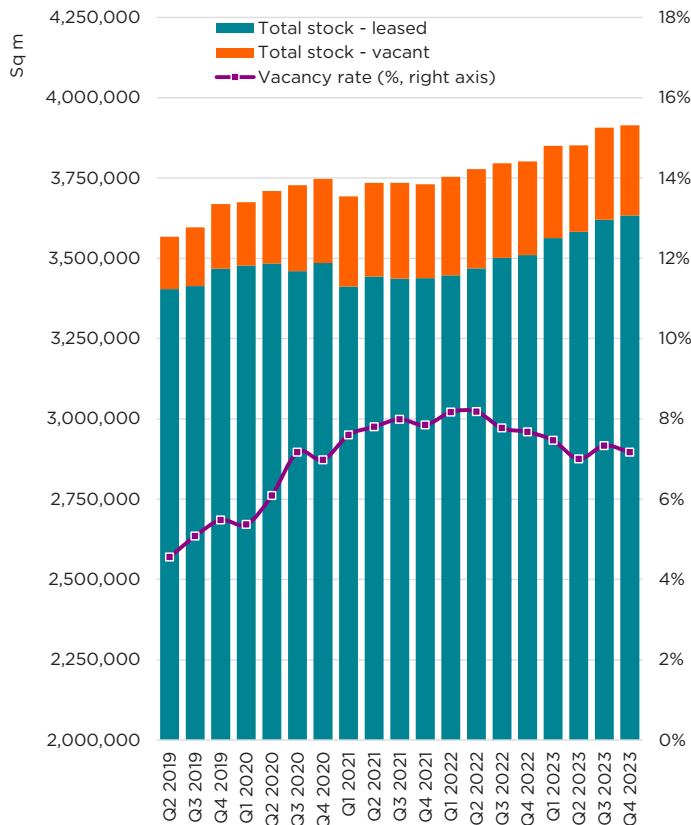
## Vacancy Rate

- From the previous quarter, the overall vacancy rate in the Prague office market marginally decreased (-16 bps) and closed the year at 7.2%. This represented 280,700 sq m of office space that was vacant and immediately available at the end of 2023.
- As usual, the highest volume of vacant offices was recorded in the Prague 5 district (53,600 sq m) and in Prague 4 (52,700 sq m). Looking at building quality, Grade A and Grade B buildings have been reporting similar vacancy levels for a long time. In Q4 2023, Grade A office buildings posted a vacancy rate of 7% and Grade B assets were at 8%.
- Over the past three quarters the volume of offices offered for sublease has been showing a marginal growth and at the end of 2023 amounted to 60,200 sq m. This was one third lower compared to the sublease opportunities seen in 2022. Over 70% of this space was located in Prague 5 and Prague 4.

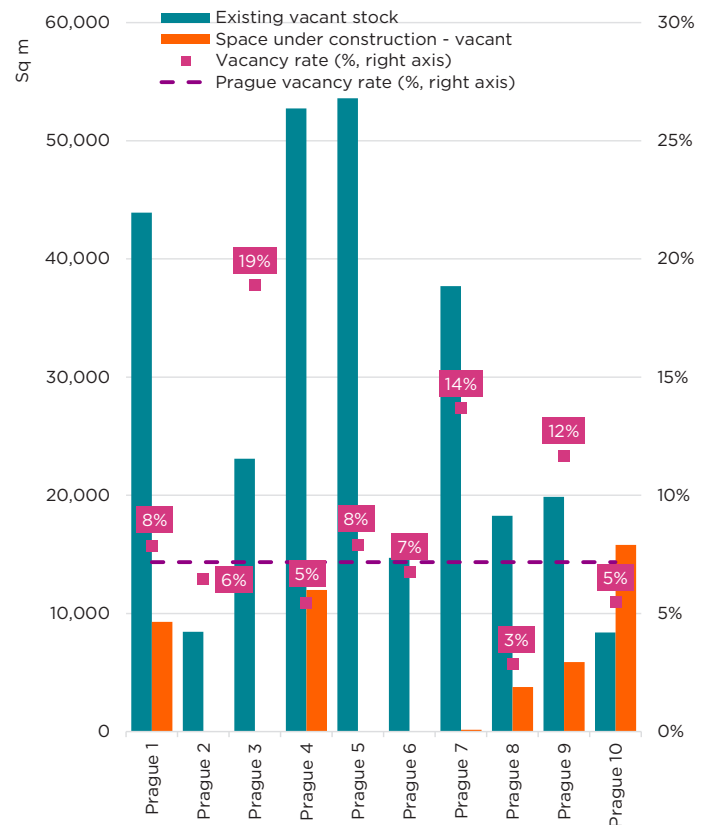
## Rent Levels

- Headline rents (excluding any incentives) for the highest quality office space in the centre of Prague saw a slight increase in the final quarter of 2023 and rose to €27.00 - €27.50 per sq m per month. Units in best-in-class buildings (or top-floor offices with a view) located in the city centre are offered at headline rates between €27.00 and €30.00 per sq m per month.
- For Grade A office space in the wider centre of Prague, headline rents stabilised in the range of €17.75 - €18.50 per sq m per month. The same was true in the outskirts of Prague, where rents remained between €15.00 and €16.00 per sq m per month.
- The most common incentives when signing a five-year office lease are 4-7 months of rent-free period combined with a fit-out contribution, which is in most cases in the range of €150-€200 per leased sq m.

## Existing Stock and Vacancy



## Vacancy in Prague Districts



# Macroeconomic highlights<sup>1</sup>

- GDP GROWTH:** According to preliminary estimates, GDP fell by 0.4% for the full year 2023 and in Q4 2023 contracted by 0.2% y-o-y. In 2024, the economy is forecast to grow by 1.2%, mainly due to renewed growth in household consumption, export markets and private investment.
- INFLATION:** In December 2023, consumer prices rose by 6.9% y-o-y and the pace of growth further slowed compared to the previous two months. The average inflation rate for the full year 2023 was 10.7% and is projected to fall to between 2.6% and 3.4% in 2024.
- UNEMPLOYMENT:** In line with usual seasonality, the share of unemployed people increased to 3.7% in December 2023, reaching the same level as in December 2022. The Czech Republic still has the lowest unemployment rate in the EU27.
- RETAIL SALES:** Retail sales increased by 0.9% year-on-year in November 2023 and rose for the first time after 18 months of decline. The overall increase was driven by sales of non-food goods (+1.0% y-o-y) and fuel (+3.0% y-o-y). However, food sales continued to decline (-0.7% y-o-y).

**3.1%**

CPI INFLATION  
2024 PREDICTION  
(10.7% IN 2023)

**1.2%**

GDP GROWTH  
2024 PREDICTION  
(-0.4% IN 2023)

**3.7%**

NATIONAL  
UNEMPLOYMENT  
(IN DECEMBER 2023)

**€1,553**

GROSS MONTHLY SALARY  
(NATIONAL MEDIAN IN  
Q3 2023)

**+0.9% YoY**

RETAIL SALES  
(IN NOVEMBER 2023)

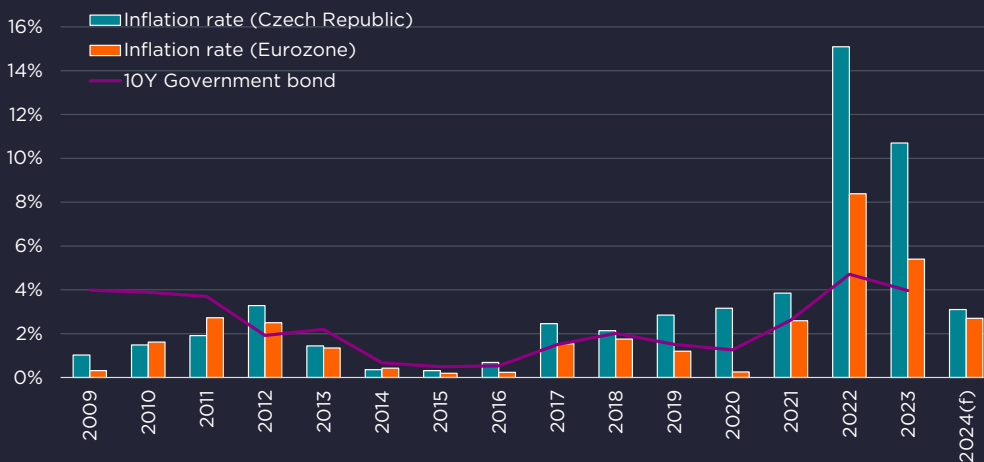
**4.0%**

3M EURIBOR  
(Q4 2023)

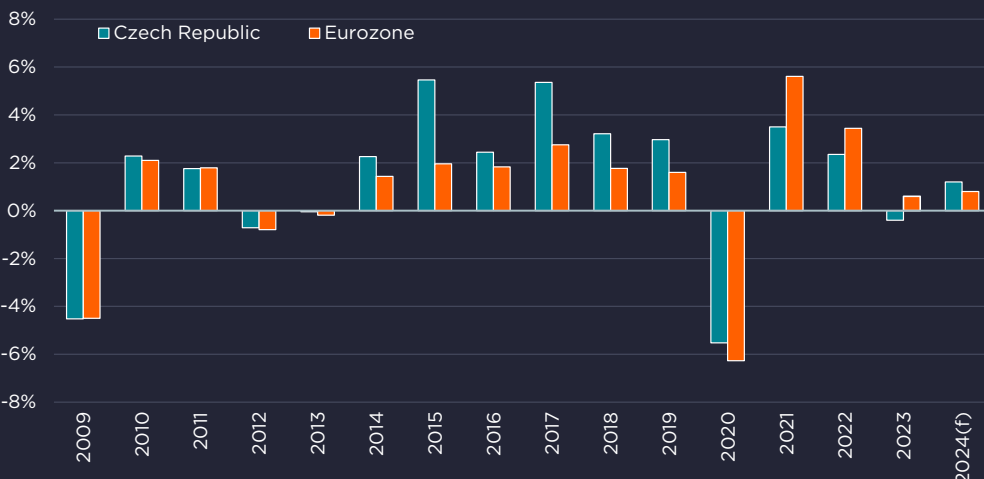
**6.6%**

3M PRIBOR  
(Q4 2023)

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



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



<sup>1</sup>) Based on the data available on 01/02/2024 (Source: Czech Statistical Office, Czech National Bank, Ministry of Finance)

# 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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## Research team

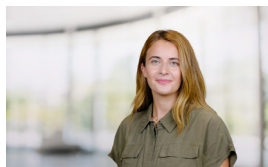


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