

Prague Office Market




Quarterly Statistics

Total Stock

3.91
million sq m

Q1 2023: 3.85 mil. sq m
YoY change: +1%

Gross Take-Up

108,200
sq m

Q1 2023: 135,000 sq m
YoY change: -20%

Net Take-Up

46,000
sq m

Q1 2023: 74,100 sq m
YoY change: -38%

Vacancy rate

7.50
%

Q1 2023: 7.50%
YoY change: +1 bps

Completions

21,700
sq m

Q1 2023: 38,000 sq m
YoY change: -43%

Economic Indicators¹

GDP Growth

0.4%
(in Q1 2024, YoY)

2023: -0.4%
2024 Forecast: 1.4%

Inflation

2.0%
(in March 2024)

2023: 10.7%
2024 Forecast: 2.7%

Policy Rates

3.9%
3M EURIBOR*

2023: 3.4%
2024 Forecast: 3.4%

Unemployment

2.7%
(in February 2024)

2023: 2.6%
2024 Forecast: 2.8%

Gross Monthly Salary

€1,583
(national median)**

Q4 2022: €1,494
YoY change: +5.9%

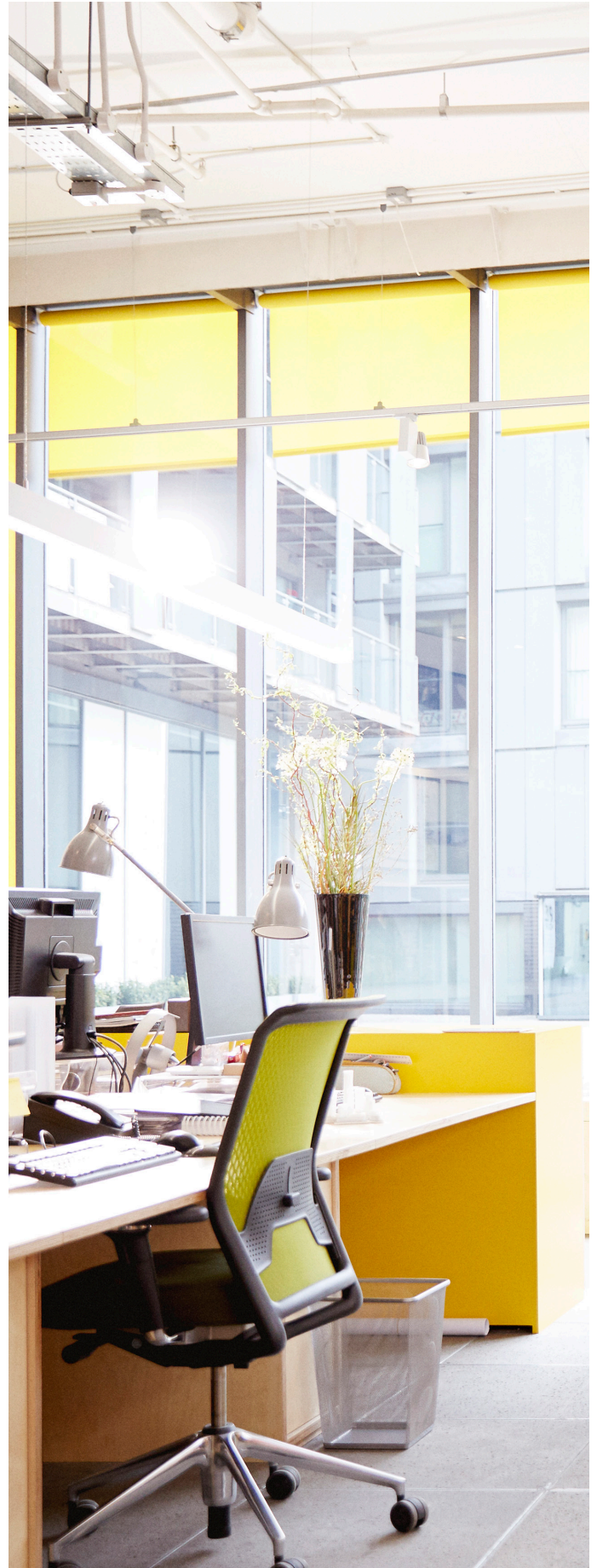
¹⁾ Based on the data available on 30/04/2024 (Source: Czech Statistical Office, Czech National Bank, Ministry of Finance, European Central Bank)

^{*)} Q1 2024 average

^{**)} in Q4 2023

Office market highlights

- After six quarters with no projects breaking ground, construction works commenced on the Pernerka building in Prague 8 in Q1 2024. However, the volume of space under construction decreased due to the completion of one office building in Prague 4. Over the past year, the volume of space under development halved to 71,300 sq m in Q1.
- The total modern office stock in Prague increased by 21,700 sq m to 3.91 million sq m. The vacancy rate rose by 30 bps from the previous quarter but has remained below 8% since Q3 2022.
- Following higher leasing activity at the end of 2023, gross take-up fell by 35% to 108,200 sq m in Q1 2024, nearly a fifth lower y-o-y. Net take-up decreased to 46,000 sq m in Q1 2024, a quarter below the quarterly average over the past three years.
- Headline rents for prime office space in Prague city centre rose for the third consecutive quarter, reaching between €27.50 and €28.00 per sq m per month in March. Rental rates grew by 4% over the past year, but looking back two years, the increase climbed to 15%.



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 | 108,200 | 46,000 | 21,700 | 7.5% |
| Previous quarter | 167,100 | 61,100 | 0 | 7.2% |
| YoY movement | -20% | -38% | - | +1 bps |

Market Review Q1 2024

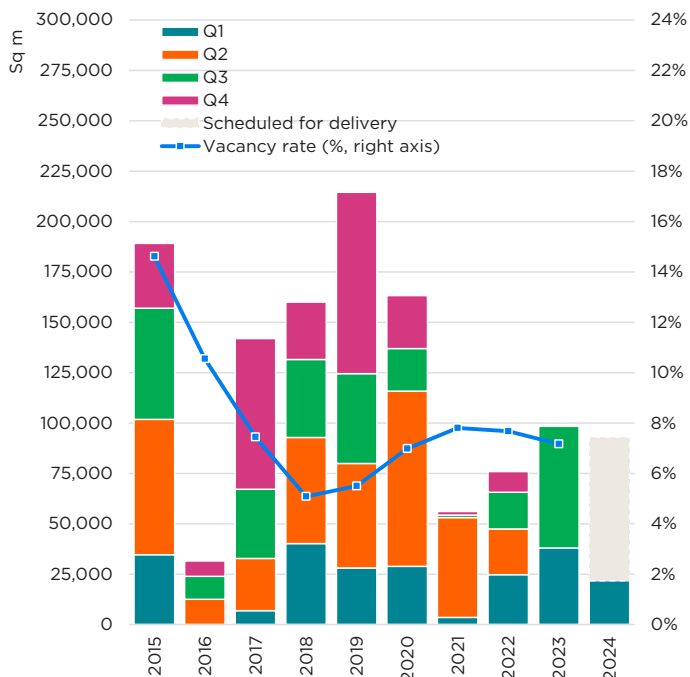
New Supply and Construction Pipeline

- As of the end of March 2024, the total area of modern office space in Prague stood at 3.91 million sq m. The sole newly completed office project was the Rožtyly Plaza building (21,700 sq m) situated adjacent to the Rožtyly metro station in the Prague 4 district. This city district retains its position as the largest submarket, boasting 963,000 sq m of office space. The second most developed market is Prague 5, with 678,100 sq m, followed by Prague 8, with 638,400 sq m.
- The total area of offices under construction or undergoing reconstruction has decreased to 71,300 sq m, with 52% of this space already pre-leased. Ten buildings are under construction, the largest of which are two buildings within the Hagibor project in Prague 10 (totalling 28,900 sq m) and the first phase of the E-Factory project in Prague 9 (8,600 sq m). After a considerable period, the market also witnessed the commencement of construction on a new office building, as work began on the Pernerka project in Prague 8.
- The cumulative annual new supply is projected to amount to 80,300 sq m in 2024, representing a below-average value and a y-o-y decline of 18%. As previously announced, a record low volume of office space, not exceeding 15,000 sq m, is expected to be completed in 2025.

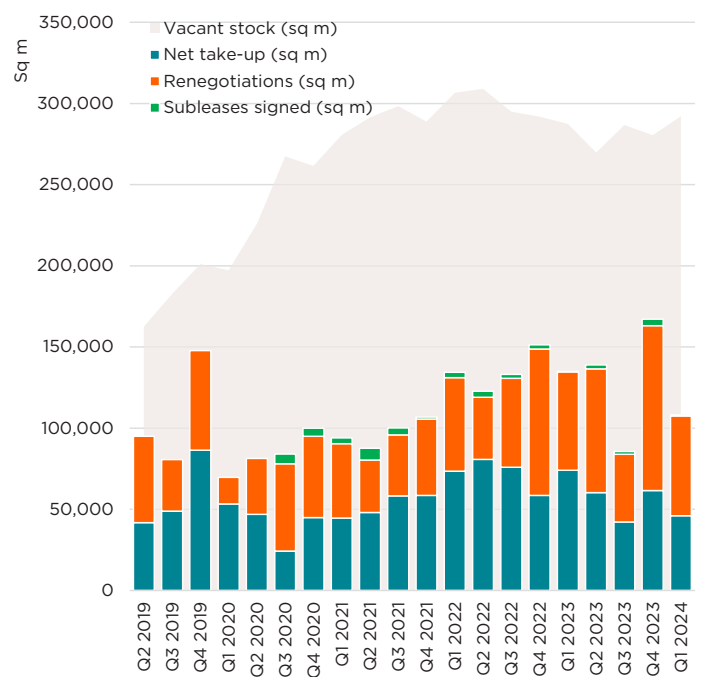
Occupier Demand

- In Q1 2024, total leasing activity amounted to 108,200 sq m. Compared to the same period last year, gross take-up declined by 19% and even 35% q-o-q. In comparison to the quarterly average over the past three years, total take-up in Q1 2024 was 10% lower.
- During the first three months of 2024, the share of renegotiations slightly decreased to 57% from the 61% recorded in the previous quarter. This corresponded to transactions covering a total area of 61,500 sq m. The proportion of concluded subleases also fell, failing to reach even 1% of the total leasing activity.
- Net demand in Q1 2024 decreased to 46,000 sq m, marking a 38% decline from the previous quarter and a 25% decrease y-o-y. This figure was also the second lowest recorded in the past two years. Companies from the financial sector (21%) and the technology sector (12%) were the primary contributors to net demand. Geographically, Prague 1 (31%) and Prague 8 (25%) dominated net leasing activity in Q1 2024.

New Supply



Take-up



Market Review Q1 2024

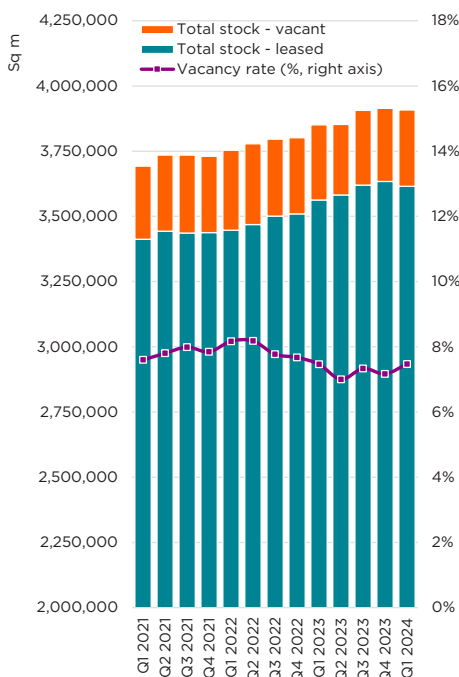
Vacancy Rate

- The overall office vacancy rate in Prague rose from 7.2% at the end of 2023 to 7.5% in Q1 2024. However, it remained nearly unchanged y-o-y, increasing by just 1 bps. This vacancy rate represented 292,000 sq m of immediately available office space.
- Traditionally, the largest office locations featured the highest volume of vacant space - Prague 4 (65,900 sq m) and Prague 5 (60,700 sq m). Conversely, Prague 2 and Prague 10 saw the lowest volumes of unoccupied offices. In terms of vacancy rates, Prague 3 (20%) has consistently held the highest share of vacant offices, followed by Prague 7 (13%). The lowest share of vacant space, and thus the highest occupancy rate, was found in Prague 8 (3%) and Prague 10 (4%).
- The volume of offices available for sublease saw a slight q-o-q decrease (-4%) to 58,000 sq m. The majority of this space was located in Prague 4 and Prague 5. Since the beginning of 2023, the volume of offices offered for sublease decreased by a quarter.

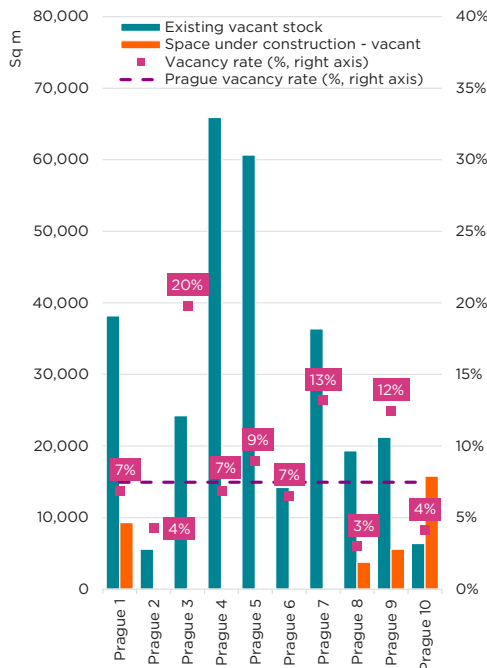
Rent Levels

- From the end of 2023, prime headline rents for Class A offices situated in the city centre rose again by €0.50, now ranging between €27.50 and €28.00 per sq m per month. However, it's worth noting that top-tier offices, particularly those under construction or recently completed, could command rents exceeding €30.00 per sq m per month.
- Rents for Class A offices in the inner city centre also experienced a slight increase in the past quarter. The range in these areas shifted from €17.75 - €18.50 to the current range of €18.00 - €19.00 per sq m per month. Meanwhile, projects in the outer and peripheral parts of Prague see rents ranging between €15.50 and €16.00 per sq m per month.

Existing Stock and Vacancy



Vacancy in Prague Districts



Glossary of used terms



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