

Prague Office Market




Quarterly Statistics

Total Stock

3.95
million sq m

Q2 2023: 3.86 mil. sq m
YoY change: +2%

Gross Take-Up

220,600
sq m

Q2 2023: 138,900 sq m
YoY change: +59%

Net Take-Up

130,700
sq m

Q2 2023: 60,300 sq m
YoY change: +117%

Vacancy rate

7.90
%

Q2 2023: 7.00%
YoY change: +92 bps

Completions

43,900
sq m

Q2 2023: 0 sq m
YoY change: n/a

Economic Indicators¹

GDP Growth

0.2%
(in Q1 2024, YoY)

2023: -0.4%
2024 Forecast: 1.4%

Inflation

2.0%
(in June 2024)

2023: 10.7%
2024 Forecast: 2.3%

Policy Rates

3.8%
3M EURIBOR²

2023: 3.4%
2024 Forecast: 3.6%

Unemployment

2.7%
(in May 2024)

2023: 2.6%
2024 Forecast: 2.8%

Gross Monthly Salary

€1,462
(national median)³

Q1 2023: €1,460
YoY change: +5.5%

¹) Based on the data available on 15/07/2024 (Source: Czech Statistical Office, Czech National Bank, Ministry of Finance, European Central Bank)

²) Q2 2024 average

³) in Q1 2024

Office market highlights

- The total stock of modern offices in Prague has expanded by 65,600 sq m during H1 2024, with a total of 80,300 sq m expected to be completed this year (38% below the 10-year average). Despite the vacancy rate rising for the third consecutive quarter, it remains below 8%.
- There are 11 office buildings under construction with a total area of 166,300 sq m (the highest volume since 2022). More than half of these premises are already pre-leased. A significant portion (72%) of the space under construction is located in the Smíchov City development area.
- Thanks to a robust Q2, and particularly the Česká spořitelna transaction, total demand for the first half of the year climbed to 327,300 sq m (+19% y-o-y and +57% compared to the 10-year average for H1). The number of transactions closed in H1 was 5% higher than last year, but remains 6% lower compared to 2022. Renegotiations continue to play a significant role in overall activity.
- Net demand in H1 2024 was also strong, totalling 176,700 sq m and reflecting an increase of nearly one-third y-o-y and a 37% rise compared to the 10-year average. However, excluding the Česká spořitelna HQ, net demand would have fallen by 24% y-o-y and by 21% compared to the 10-year average.

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	220,600	130,700	43,900	7.9%
Previous quarter	106,700	46,000	21,700	7.5%
YoY movement	+59%	+117%	-	+92 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	327,300	176,700	65,600	3,947,200
YoY movement	+19%	+32%	+72%	+2%



Market Review Q2 2024

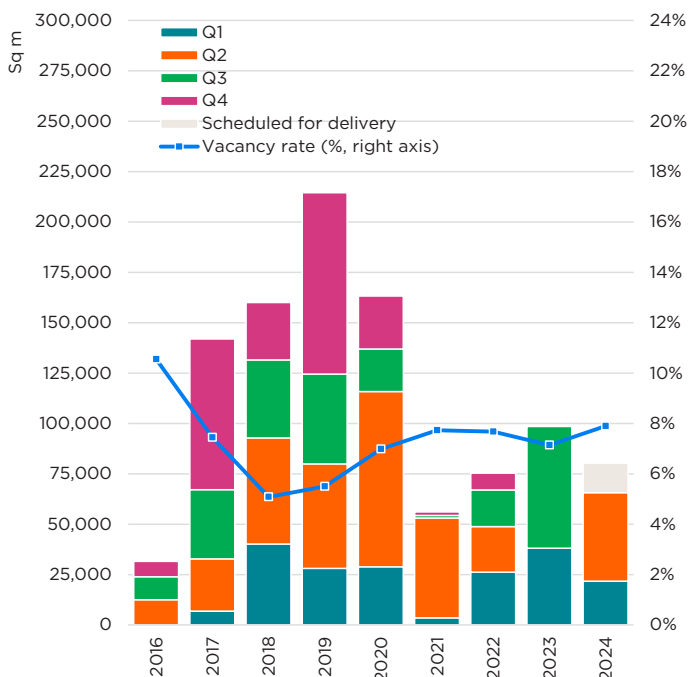
New Supply and Construction Pipeline

- The total modern office stock in Prague increased to 3.95 million sq m in Q2 2024. This quarter saw the addition of 43,900 sq m of new space, primarily from the Hagibor project in Prague 10, the first phase of the Rohan City A1 project in Prague 8, and the refurbishment of the Palác Dunaj building in Prague 1.
- The majority of existing office space is concentrated in well-known and sought-after locations: Prague 4 (958,200 sq m), Prague 5 (678,100 sq m), and Prague 8 (647,000 sq m).
- In Q2 2024, construction began on two major administrative projects. The first, Smíchov City South in Prague 5, will feature three office buildings totalling 44,200 sq m, including the new 75,000 sq m HQ of Česká spořitelna. The second project, Hila in Prague 4, will offer 19,700 sq m of office space. Both projects are slated for completion in 2027.
- This year, only an additional 14,700 sq m of office space is expected to be completed, a small fraction of the 166,300 sq m currently under construction. Consequently, the shortage of available space in central locations such as Prague 1 and Prague 8 - Karlín is likely to intensify.

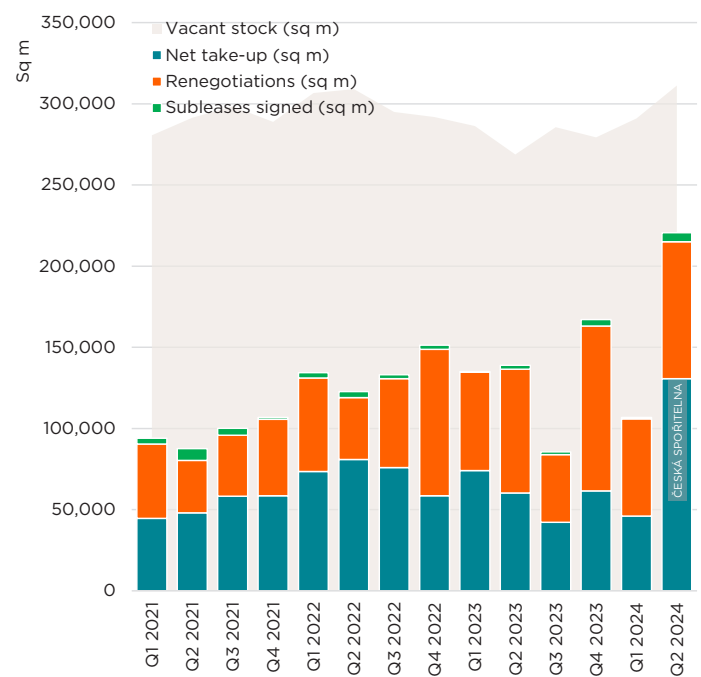
Occupier Demand

- Demand for office space in Q2 was significantly boosted by the transaction involving Česká spořitelna, which broke ground on its new 75,000 sq m HQ in Smíchov. Upon completion, this HQ will be owned and occupied by the Česká spořitelna group. Thanks to this transaction, both total and net demand reached record levels.
- Total office demand hit an all-time high of 220,600 sq m in Q2 (up 59% y-o-y and 107% q-o-q). Even excluding owner-occupier transactions (such as Česká spořitelna), total activity amounted to 145,100 sq m, still representing an increase over the previous quarter and also y-o-y.
- Net take-up for the quarter was 130,700 sq m (up 117% y-o-y and 184% q-o-q), however, excluding owner-occupied transactions, net take-up would have fallen to 55,200 sq m.
- The most active submarket in terms of net demand this quarter was Prague 5, accounting for 67% of all new commitments signed during this period. Prague 1 followed with 10%, and Prague 4 with 9%. Among industry sectors, financial companies were the most active this quarter (as they were in Q1), followed by professional services and IT/technology firms.

New Supply



Take-up



Market Review Q2 2024

Vacancy Rate

- The vacancy rate has reached its highest level in two years, rising by 44 bps since last quarter to 7.9% (or 311,200 sq m) in Q2 2024. This increase is partly attributed to the recent completions, which introduced 23,100 sq m of vacant office space to the market. Given the current market conditions, we anticipate these premises will be leased relatively quickly.
- The highest volumes of available office space were in Prague 4, with 67,700 sq m, and Prague 5, with 58,200 sq m. Conversely, the least vacant space was found in Prague 2 (3,400 sq m) and Prague 6 (16,400 sq m).
- The volume of offices offered for sublease increased by 6% from the previous quarter, reaching 61,400 sq m, with the largest shares in Prague 4 and Prague 5. Year-on-year, this represents a 9% increase.

Rent Levels

- Headline rents for Class A offices in central Prague have increased for the third consecutive quarter, reaching €28.00 to €29.00 per sq m per month in Q2 2024. However, rental rates in prestigious city centre office buildings remain higher, around €30.00 per sq m per month. In the wider centre of Prague, rents have remained stable at €18.00 to €19.00 per sq m per month. In contrast, office space in the peripheral areas of Prague has become slightly more expensive, ranging from €15.50 to €16.50 per sq m per month.
- Currently, typical market incentives include approximately one month of rent-free period for each year of the lease. The value of fit-out contributions is highly variable and depends on the condition of the premises and the landlord's business situation.

Glossary of used terms



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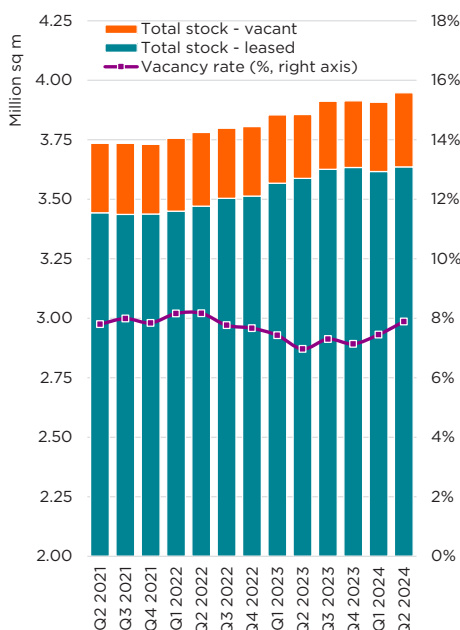
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Existing Stock and Vacancy



Vacancy in Prague Districts

