

Prague Office Market



OFFICE STOCK & SUPPLY

The first quarter of 2019 saw the completion of two new office buildings with a total volume of 28,100 sq m, which was almost identical to the supply level seen in the previous quarter. As a result, the total office stock in Prague increased to 3.493 million sq m, 72% of which is class-A premises.

The first new completion was Churchill Square I. (15,200 sq m) in Prague 2, which will be largely occupied by Deloitte, who are moving their Prague HQ from Nile House. The second building delivered during Q1 was Rustonka R3 (12,900 sq m) in Prague 8, where the majority of space will be occupied by Veeam Software.

Passerinvest Group launched the refurbishment of its Building B at BB Centrum (14,200 sq m), which has therefore moved to the development pipeline until the renovation work is complete.

The construction pipeline in Q1 2019 comprised new developments totalling 275,400 sq m and refurbishments of 63,500 sq m across the city. The largest share of the new developments is being delivered to the markets of Prague 8 (64,900 sq m) and Prague 5 (61,200 sq m). 62% of the development pipeline was still available for lease.

VACANCY

Demand continues to outpace supply of office space in the Czech capital. As a result, the volume of unoccupied office space in Prague shrank again during the course of Q1 2019 to 152,600 sq m. This translated into a decline of the vacancy rate by a further 70 basis points (bps), hitting a new record low of 4.4%.

Prague 5 still offered the highest volume of office space ready for immediate occupation (39,300 sq m), with Prague 4 on its tail with vacant stock amounting to 36,000 sq m.

More than 60% of the unoccupied space is found within class-A buildings.

Prague office market in Q1 2019



3.5 million sq m
 Total office stock
 in Prague



28,100 sq m
 Office supply in Q1 2019
 (down by 6% y-o-y)



4.4%
 Vacancy rate
 (down by 70 bps q-o-q)

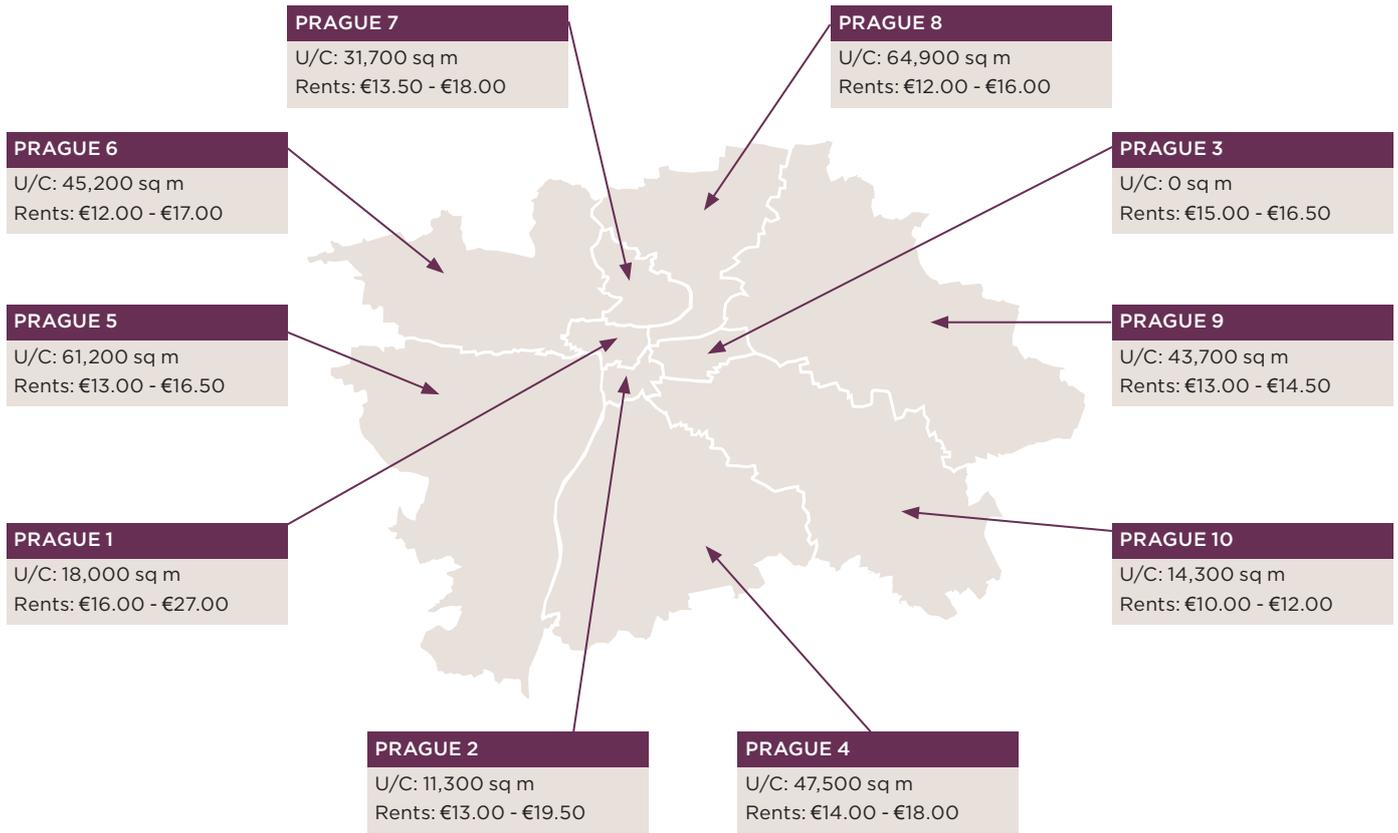


95,200 sq m
 Gross take-up in Q1 2019
 (up by 11% y-o-y)

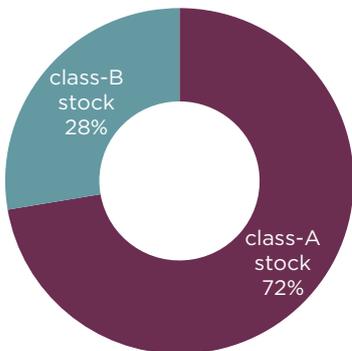


70,500 sq m
 Net take-up in Q1 2019
 (up by 7% y-o-y)

Office developments and monthly headline rents across districts



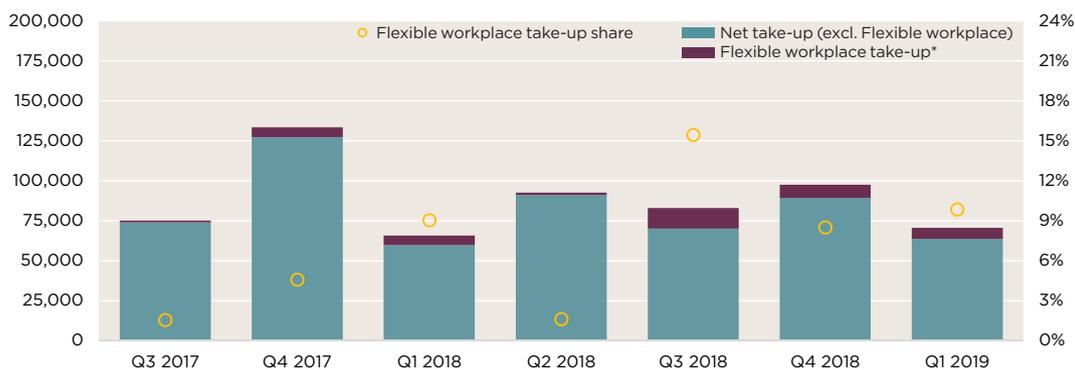
Prague office stock



Quarterly office supply & Vacancy rate



Coworking & Serviced offices share on net take-up



* Flexible workplace take-up includes Coworking, Serviced office and

DEMAND

Following the trend of the last few years, leasing activity in the first quarter of the year dwindled slightly. Nonetheless, the gross take-up amounted to 95,200 sq m, 11% above the leasing activity recorded during the same period last year.

Net demand, which excludes lease prolongations and renegotiations, reached 70,500 sq m in Q1 2019, showing a year-on-year improvement of 7%.

The largest transaction in the quarter was the 8,600 sq m pre-lease signed by Veeam Software for space at the Rustonka R3 building in Prague 8. The next largest were two commitments signed by coworking operator IWG (Spaces!) at Nile House (3,600 sq m) in Prague 8 and Smíchov (3,300 sq m) in Prague 5.

Veeam Software’s transaction pushed the IT sector into top spot in terms of the share of gross and net take-up in Q1 2019, and also made Prague 8 the most active submarket in the city.

The share of coworking & flexible workplace operators on the total net take-up in reached 10% in Q1 2019, showing a slight increase compared to the previous quarter. However, it needs to be taken into account that the quarterly net take-up volumes on the Prague market are quite low and therefore easily influenced by larger transactions.

RENT LEVELS

The widening spread in prime headline rents, which began in 2018, continued in Q1 2019. An increasing number of premium office units in the city centre of Prague are reaching the rates close to or even above €25.00 per sq m a month.

Having said that, there are still office premises within the city centre available for rent below €20.00 per sq m a month, even in some cases as low as around €16.50 per sq m a month.

Headline rents outside the Central Business District and at more peripheral locations have remained in the range of €13.00 - €16.50 per sq m a month.

Incentives offered by landlords still typically amount to one month rent free for each year of the lease. Fit-out contributions generally reach €80 - €150 per sq m.

Monthly service charges for office space are between CZK 85 - 135 per sq m in Prague 1, while other parts of the city are at around CZK 75 - 120 per sq m.

Parking in Prague 1 is mostly charged at €160 – €290 per parking place a month, and around €90 – €130 in the Prague districts.

Savills team

Please contact us for further information

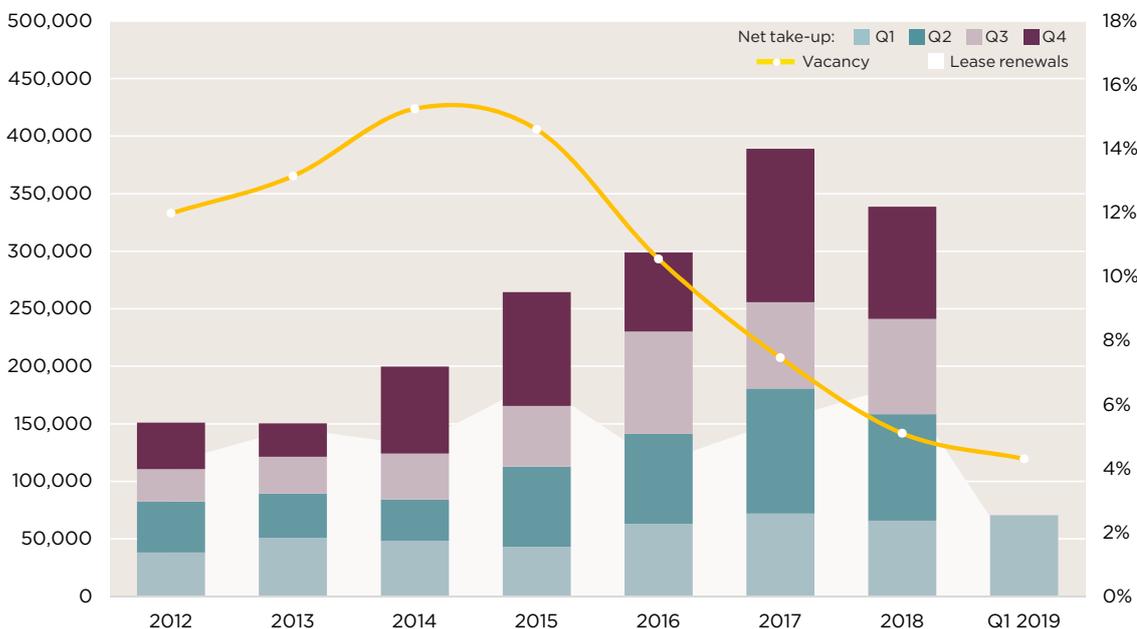
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👉 Net demand continues to outperform supply of new office space, pushing the already low vacancy levels further down to a new record. We have not yet witnessed any negative impacts of the anticipated economic slowdown on the leasing activity, however companies could become more cautious with their real state strategies and costs towards the end of the year. 👈

Take-up & vacancy rate



Source Savills, PRF

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DEFINITION OF TERMS

TOTAL STOCK includes office buildings in Prague with leaseable area exceeding 1,000 sq m, which have been built or substantially refurbished during 1990 or later. A-class, B-class and owner-occupied premises are all included included.

SUPPLY represents office premises where construction (or refurbishment) was completed in the specified time period.

DEVELOPMENT PIPELINE comprises office buildings that are under construction (or undergoing substantial refurbishment) in the specified time period (projects put on-hold are excluded).

VACANCY RATE demonstrates the share of unleased space within completed buildings included in Total Stock. Units under short-term lease or under offer (with Heads of Terms signed) are considered vacant. For the purposes of vacancy calculation, the unit is leased upon signature of a binding commitment (e.g. Lease Agreement, Amendment etc.)

GROSS TAKE-UP represents the total leasing activity that was recorded within office buildings in Prague (existing buildings included in Total Stock, planned buildings or projects in the construction pipeline). Gross Take-Up includes pre-leases, new leases, lease prolongations, lease renegotiations, expansions and subleases. Short-term leases (for a period shorter than 12 months) are excluded. Transactions are recorded based on a signature date, not based on unit occupancy.

NET TAKE-UP follows the same principles as Gross Take-Up, but excludes lease renegotiations and prolongations.

PRIME HEADLINE RENT is rent achieved for high quality A-class office units in prime location. Headline rents exclude any incentives provided by the landlord.

SAVILLS IN THE CZECH REPUBLIC

Savills office in the Czech Republic was established in February 2017. Since then, we have created a full-service office staffed by a team of professionals who are highly recognised on the market.

We have very much established Savills as a leading real estate advisor for the Czech and Slovak markets and, therefore, have made significant progress to achieving our goal of being the real estate advisor of choice for our clients.

Key services offered in the Czech & Slovak Republics include:

- Investment, Sales & Acquisitions
- Office leasing & Tenant representation
- Industrial leasing & Tenant representation
- Asset & Property management
- Client accounting
- Valuation & Advisory
- Building & Project consultancy
- Research

MEET US AT THESE EVENTS AND FAIRS THIS YEAR

JUNE 2019	SEPTEMBER 2019	OCTOBER 2019	NOVEMBER 2019
<ul style="list-style-type: none">• Prague Property Forum, Prague	<ul style="list-style-type: none">• CEE Property Forum, Vienna• CEDEM, Prague	<ul style="list-style-type: none">• EXPO Real, Munich• Real Estate Market Autumn 2019, Prague	<ul style="list-style-type: none">• MAPIC, Cannes• Speedchain, Prague• LOG-IN, Prague• Best of Realty, Prague

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