

Prague Office Market



OFFICE STOCK & SUPPLY

During the second quarter of 2019 Prague's office market saw 51,800 sq m of new premises completed, bringing the total office stock in the Czech capital to 3.57 million sq m.

The largest development completed in Prague during Q2 2019 was the second building of the ČSOB HQ in the district of Prague 5 (30,000 sq m), which was built for owner-occupation. The remaining four projects were Praga Studios in Prague 8, Mayhouse in Prague 4, and refurbishments of Palác ARA and Na Poříčí 5, both situated in Prague 1.

Total supply in H1 2019 reached 80,000 sq m, showing a drop of 11% drop y-o-y.

New office premises covering a total of 254,300 sq m were under construction across the city. This included two buildings being developed for owner-occupation - J&T HQ in Prague 8 and the Prague 12 town hall located in Prague 4. In addition to these new developments, there were additional 65,400 sq m of offices undergoing refurbishment.

At the end of Q2 2019 Crestyl was the "busiest" developer in Prague, being behind 58,100 sq m of new office developments spread over three buildings. All are located in Prague 8, a district with the highest volume of new space under construction.

VACANCY

The city-wide vacancy rate edged up to reach 4.6% by the end of June, representing around 162,500 sq m of unoccupied office space.

Just as during the six previous quarters, the majority of these vacant offices are still found in Prague's biggest office districts, Prague 4 and Prague 5.

Since the end of 2017 vacancy rate in Prague has not exceeded 7%. Over the past 12 months it declined by 230 basis points from 6.9% recorded in mid-2018, while during 2019 it did not even exceed 5%.

The increased amount of speculative space scheduled to come onto the market over the next six months could result in further marginal increases in the capital's vacancy rate. This will become more apparent if new demand continues the downward trend observed in Q2 2019.

Prague office market in Q2 2019



3.57 million sq m
Total office stock
in Prague



51,800 sq m
Office supply in Q2 2019
(up by 1% y-o-y)



4.6%
Vacancy rate
(up by 30 bps q-o-q)



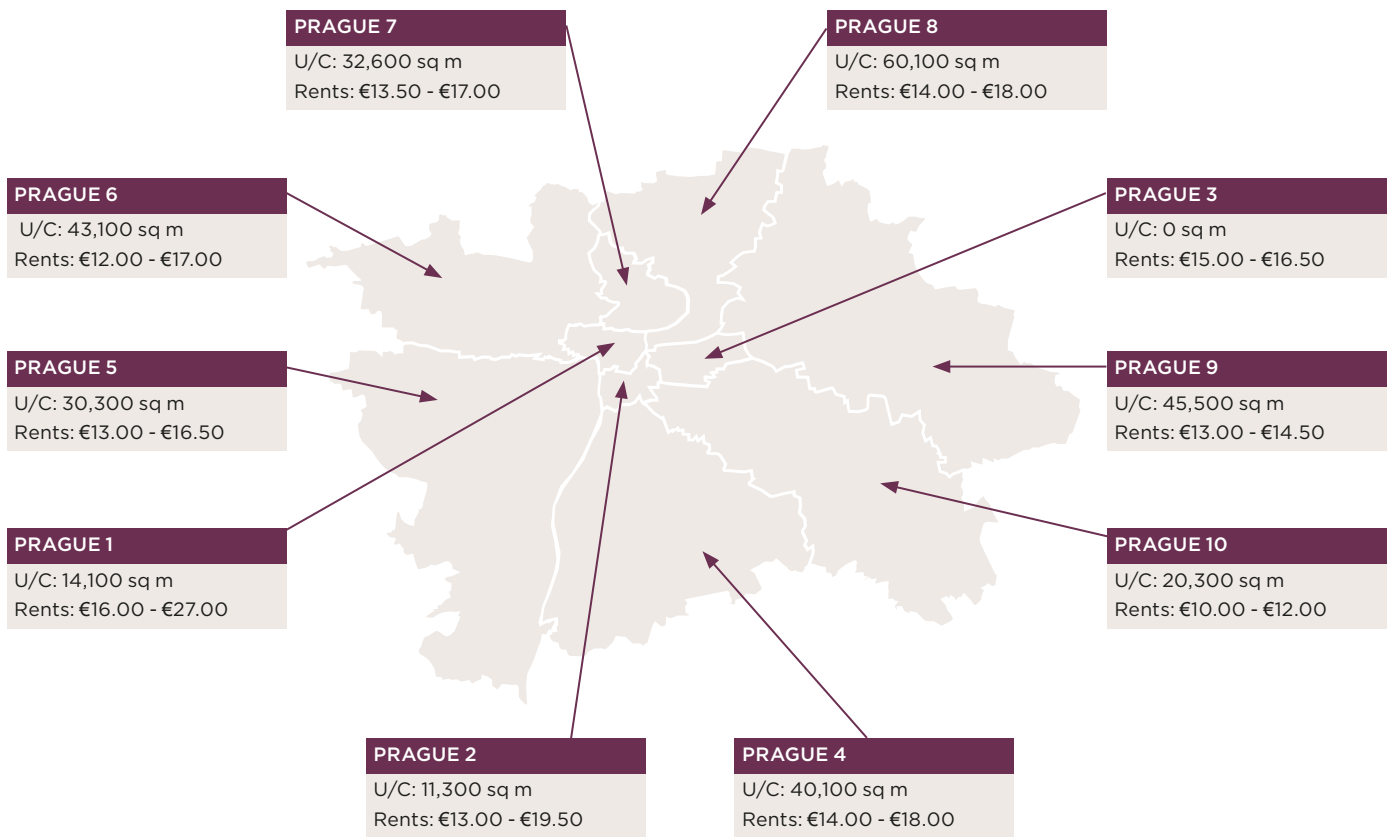
100,600 sq m
Gross take-up in Q2 2019
(down by 30% y-o-y)



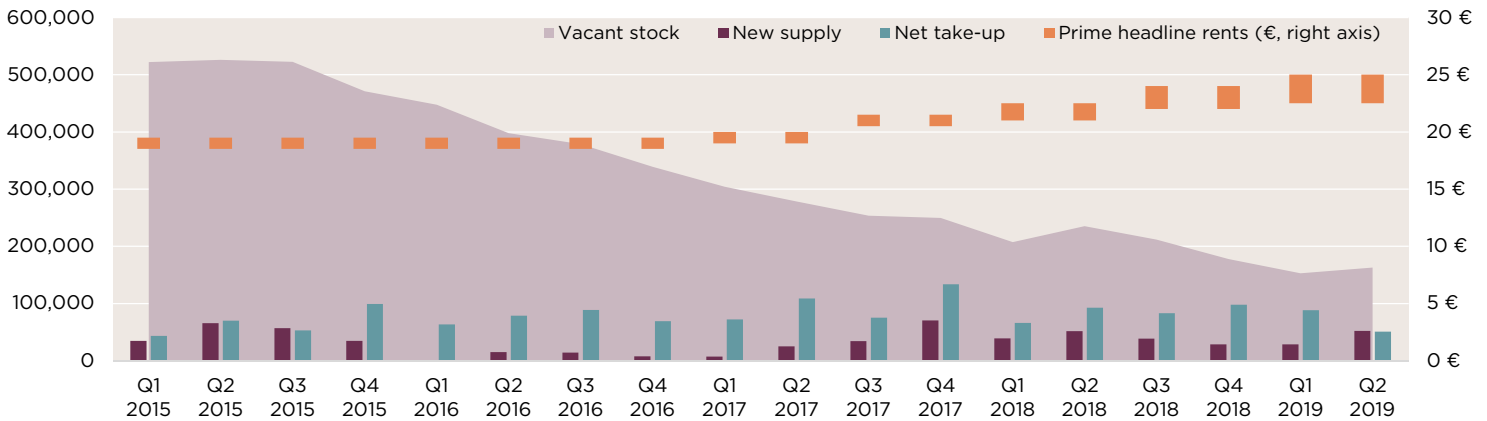
50,600 sq m
Net take-up in Q2 2019
(down by 45% y-o-y)

Office developments and monthly headline rents across districts

Pipeline (U/C) volumes stated on this map represent only grade A office space intended for lease to third parties (i.e. grade B, grade C and owner occupied buildings are excluded).



Vacant space, New Supply, Net take-up & Prime headline rents



H1 2019 MARKET SUMMARY

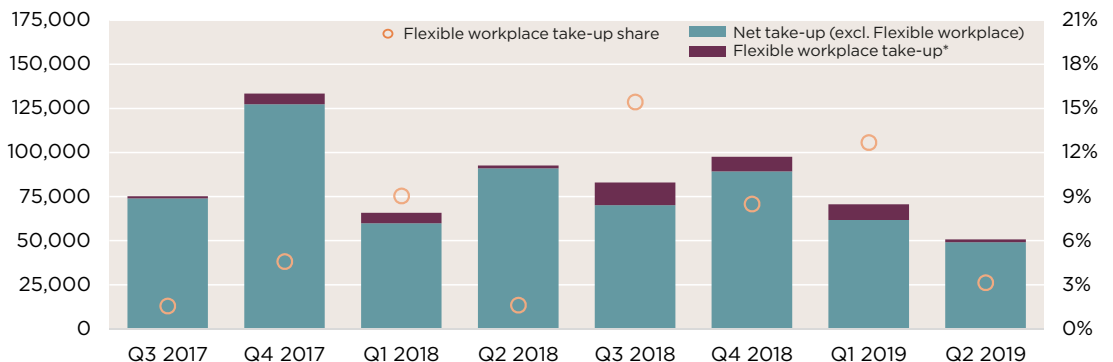
80,000 sq m
OF NEW SPACE BUILT & REFURBISHED

211,600 sq m
TOTAL LEASING ACTIVITY

138,500 sq m
NET TAKE-UP

Coworking & Serviced offices share on net take-up

*) Flexible workplace take-up includes Coworking, Serviced office and is based on signature of lease commitment, not opening / move-in date.



DEMAND

Total leasing activity during Q2 2019 reached 100,600 sq m, which is slightly below the adjusted Q1 results. The cumulative gross take-up levels for the first six months of this year reached 211,600 sq m, indicating a minor year-on-year slowdown in office leasing activity.

Net take-up levels also showed demand for office space in Prague cooled. Activity recorded in Q2 2019 amounted to 50,600 sq m, which is the lowest level since Q1 2015 and 42% below the previous quarter's figures. Total net leasing activity in the first six months of the year amounted to 138,500 sq m, 12% below the H1 2018 results.

The largest transaction of Q2 and also the first half of 2019 was the 17,500 sq m renegotiation of Clearstream Operations, belonging to the Deutsche Börse Group, at Futurama Business Park in Prague 8. Like the previous quarter, Prague 8 ended up being the most active submarket in the city.

Compared to the previous three quarters, leasing activity of coworking & flexible workplace operators slowed down in Q2 2019. Only one new commitment was signed which brought the share of this sector on the H1 2019 net take-up to almost 9%.

RENT LEVELS

Headline rents remained unchanged from the previous quarter. Prague city centre offers buildings of varying quality, ranging from some of the best premium grade buildings in town to older grade B premises. The highest-quality office units on higher floors in the city centre were being offered at €25.00-plus per sq m a month, but there were also modern units available for €16.50 - €20.00 per sq m a month.

Headline rents for modern office space outside the city centre and at more peripheral locations stayed 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 reached €80 - €150 per sq m.

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

Rents for parking in Prague 1 (city centre) were 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

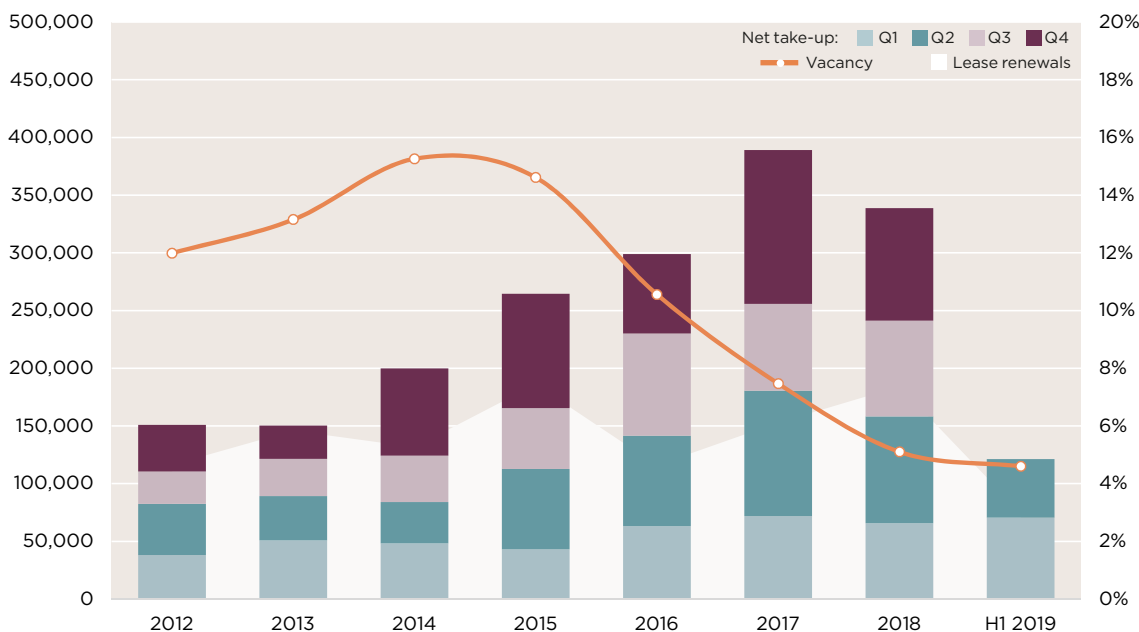
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“ Despite a cooling in net take-up levels, the vacancy rate edging up, and a healthy pipeline of new developments, tenant appetite for Prague offices remains strong and we do not foresee any significant changes in vacancy in the coming quarters. Headline rent increases observed in new developments are being partially driven by high construction costs as well as the increasing activity of coworking operators, who are aggressively challenging rents across the entire grade A office sector in Prague. ”

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.

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.

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- 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

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

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