

Prague Office Market




OFFICE STOCK & SUPPLY

Thanks to the completion of two office buildings during Q4 2018 the total office stock in Prague grew by 28,500 sq m and reached 3,475,500 sq m at the end of the year.

The two new additions included BB Centrum A building (20,900 sq m), which has been fully refurbished by Passerinvest and will be occupied by Moneta Money Bank, and completion of City Element (7,600 sq m) by S+B Gruppe, who acquired the building from ECM in 2014 and sold it to Allianz at completion before the end of 2018. Both buildings are located in Prague 4, which remains to be the largest office district in the city with a 27% share of the Prague office stock.

Q4 2018 was the year's weakest quarter in terms of new deliveries, however, the total annual supply volume for 2018 came to 156,900 sq m, being the strongest since 2015. In the course of 2018, Prague office market saw the completion of 10 new office buildings and 5 refurbishments.

This strong development activity is expected to continue. At the end of 2018, the construction pipeline included 26 buildings, 286,000 sq m of new developments and 50,000 sq m of refurbishments, all to be completed by 2021.

VACANCY

Same as in Q3, vacancy rate in Prague continued decreasing also in the final quarter of 2018 and ended up hitting a new all-time low at 5.1%, which represents 178,800 sq m of unoccupied office space.

In line with the previous two quarters, Prague 5 again presented the highest share of unoccupied office space. However, corresponding with the decline of Prague vacancy rate in the second half of the year, the vacancy rate in Prague 5 reported a drop from 11.3% in the middle of the year to 7.4% at year end. In terms of areas, Prague 5 offered 44,500 sq m of immediately available office space. The largest volumes of vacant offices in this part of the city continue to be found at Aspira Business Centre and the recently completed Dynamica.

The second highest vacancy rate at the end of 2018 was recorded in Prague 3 (5.7%). This is however one of the smallest office hubs in the city with the total stock of just 127,500 sq m. As such, the total volume of ready to move-in offices amounted to just over 7,200 sq m.

Prague office market
at the end of 2018



3.48 million sq m
Total office stock
in Prague



156,900 sq m
Office supply in 2018
(up by 15% y-o-y)



5.1%
Vacancy rate
(down by 237 bps y-o-y)

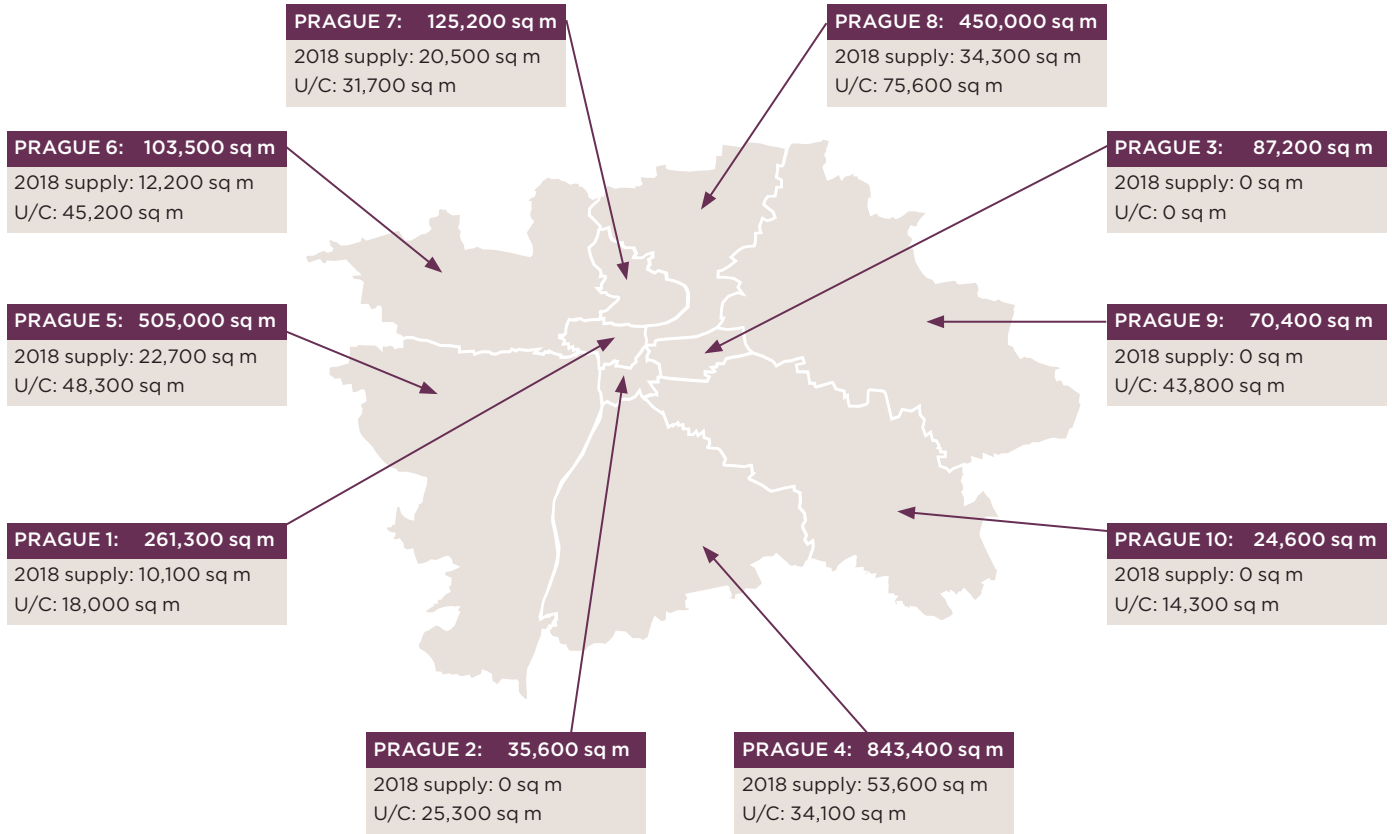


513,700 sq m
Gross take-up in 2018
(down by 5% y-o-y)



329,600 sq m
Net take-up in 2018
(down by 15% y-o-y)

A-class office stock, 2018 supply and construction pipeline in Prague districts

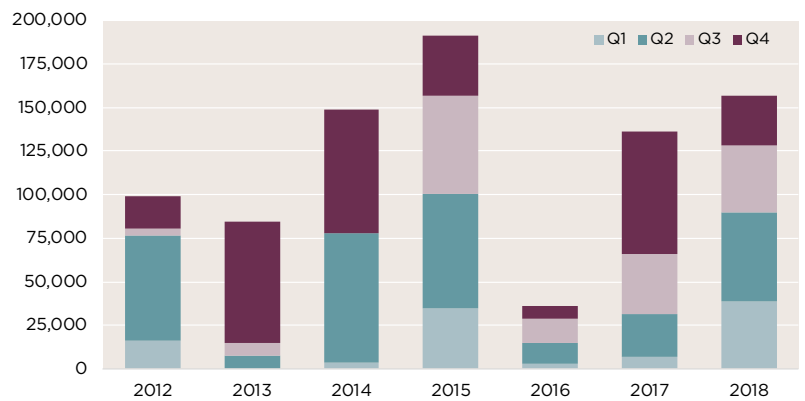


The largest volume of office space during 2018 was delivered to the Prague 4 district (53,600 sq m), followed by the Prague 8 submarket with new supply totalling 34,300 sq m.

However, taking into consideration the size of individual Prague submarkets, the fastest growing office district in 2018 was Prague 7, showing a 10% stock increase, followed by Prague 6 with 8% growth of total office stock.

Considering the buildings which were already under construction at the end of 2018 across Prague, the largest share of new space during 2019 will be added to Prague 8 and Prague 5. Nevertheless, the most significant stock growth as proportion of existing office inventory is expected in Prague 9 and Prague 6.

Quarterly & annual office supply



Source Savills, PRF

2018 office supply - new construction

Prague district	Property	Size
Prague 5	City West A1	9,300 sq m
Prague 7	Visionary	20,500 sq m
Prague 4	Trimaran (former City Deco)	18,300 sq m
Prague 5	Dynamica	13,400 sq m
Prague 8	Rustonka R2 (phase I)	11,300 sq m
Prague 8	Palmovka Open Park 3	9,800 sq m
Prague 8	Palmovka Open Park 4	13,200 sq m
Prague 6	AFI Vokovice	12,200 sq m
Prague 4	Eurovia	3,000 sq m
Prague 4	City Element	7,600 sq m

Largest leasing transactions in 2018

Property	Tenant	Size
BB Centrum Gamma, Prague 4	O2	29,000 sq m
City West, Prague 5	Siemens	23,200 sq m
Bubenská 1, Prague 7	WPP	16,300 sq m
Centrum Vinice, Prague 10	FTV Prima	11,800 sq m
River Garden I., Prague 8	ADP Employer Services	8,000 sq m
Drn, Prague 1	WeWork	5,800 sq m
DOCK IN FOUR, Prague 8	Confidential	5,500 sq m
Praga Studios, Prague 8	Edward Lifesciences	5,300 sq m

Source Savills, PRF

DEMAND

Q4 2018 was the strongest quarter of the year in terms of gross leasing activity. Transactions totalling 155,300 sq m were signed in the final quarter of the year, bringing the total annual gross take-up to 513,700 sq m.

Gross take-up ended up being 5% below the results of 2017, but the overall volume of signed transactions remained robust, reaching the second highest level on record. The demand recorded in 2018 has only been surpassed by the 542,000 sq m transacted during the record year of 2017.

The 2018 total leasing activity was significantly steered by large lease renewals. Especially, the lease prolongation concluded by O2 at BB Centrum Gamma (29,000 sq m), and the renewal of Siemens at City West in Prague 5 (23,200 sq m) both of which rank among the largest leasing transactions concluded on the Prague office market.

Net take-up in the last quarter of 2018 reached 88,500 sq m. The annual new demand volume therefore continued along the lines of 2017 and again exceeded the 300,000 sq m mark, this time amounting to almost 330,000 sq m (15% down y-o-y).

RENT LEVELS

In the course of 2018, the spread of prime headline rents in Prague has widened as the top-end rents increased. Top quality office space within the Prague CBD district was offered for rents from €21.00 up to €25.00 per sq m and month, while some exceptional medium-sized units were priced at rents exceeding €25.00.

New office developments in Prague 1, that have yet to enter the construction pipeline, together with rising construction costs will most likely boost further rental growth in the city centre area.

Headline rents outside the Central Business District and at more peripheral locations have gone up slightly and typically oscillate between €13.00 – €16.50 per sq m and 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 one parking place and month, and around €90 – €130 in the Prague districts.

Savills team

Please contact us for further information

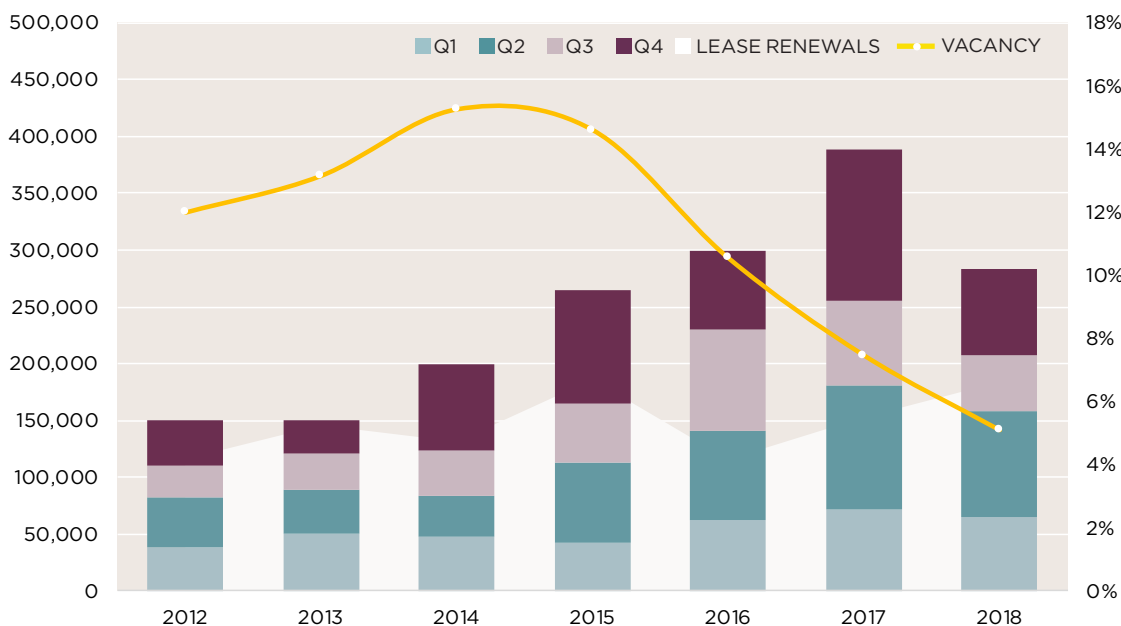
Lenka Oleksiaková
Senior Research Analyst
00420 604 387 407
lenka.oleksiaková
@savills.cz

Štěpán Smrčka
Head of Office Agency
00420 777 017 178
stepan.smrcka
@savills.cz

Petr Florián
Tenant Representation
00420 722 022 254
petr.florian@savills.cz

👉 Stable levels of office space demand and supply are expected for 2019-2020, with headline rents likely to increase as a result of rising construction costs and low vacancy rates. Incentive packages may see marginal reduction. The economic growth is estimated to slow a bit in 2019 but still remain solid at around 2.7% 👉

Net take-up & vacancy rate



Source Savills, PRF

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