Press release

Prague, 16th April 2020

Prague Research Forum Announces the Office Market Figures for Q1 2020

Introduction

The Prague Research Forum is pleased to announce the office market figures for the first quarter of 2020. The members of the Prague Research Forum – CBRE, Colliers International, Cushman & Wakefield, JLL, Knight Frank – share non-sensitive information with the aim of providing clients with consistent, accurate and transparent data about the Prague office market.

The RICS supports activities of the Prague Research Forum.

Covid- 19 Impact

Both global and local real estate markets are affected by the Covid-19 pandemic and the adopted measures. The situation is changing dynamically and currently no predictions can be treated as accurate.

While Q1 2020 seems to be a slightly weaker quarter for the Prague office market, however, we expect the true impact to be visible during Q2 and beyond.

Taking into consideration the current situation in the construction industry, reflecting the slowdown of construction work (reduced capacity of workers) and delayed operations of the authorities, we expect that the completion of some projects under construction will be delayed.

Office Stock and New Supply

A volume of 20,800 sq m of modern office space was delivered to the Prague market in the first quarter of 2020, bringing the total modern office stock to 3.67 million sq m. New completions include two properties in two developments. Churchill II in Prague 2 with 11,200 sq m of office space and Kotelna Park (Phase II) located in Prague 5 with 9,600 sq m.

The development of only one office building commenced during Q1 2020, the construction of Harfa 3 in Prague 9 with 30,700 sq m. The current pipeline under construction amounts to 253,700 sq m, with 151,100 sq m due in 2020 and the remaining 102,600 sq m in 2021.

A-class office stock has a ca. 74% share on the total office supply, whereas the top-quality AAA-class properties accounted for almost 22%.

Office Take-up

Gross take-up (including renegotiations and subleases) in the first quarter of 2020 amounted to 69,600 sq m, representing an 53% decrease on the previous quarter and a 37% decrease on the first quarter of 2019.

The highest demand in Q1 2020 was recorded in the city districts of Prague 8 (29%), Prague 4 (21%) and Prague 5 (18%). The most active companies were from the IT sector (16%) and the professional services sector (16%), followed by the consumer goods sector (9%).

The share of renegotiated leases in the first quarter of 2020 reached 23%. Net demand (new leases, expansions and pre-leases) accounted for 77% of the total gross take-up.

Major Office Leasing Transactions

The major transactions of the first quarter of 2020 were the pre-completion lease of Wrike Czech (5,300 sq m) in DOCK IN FOUR in Prague 8, followed by the renegotiation of Accenture Central Europe in The Park (4,200 sq m) in Prague 4, the new occupation of Pure Storage in Amazon Court (2,700 sq m) in Prague 8 and the pre-completion lease of Scott & Weber in The Flow Building (2,600 sq m) in Prague 1.

Office Vacancy

The share of vacant office space in Q1 2020 reached 5.4%, representing a decrease of 10 basis points in comparison with the previous quarter. The vacant space totalled 197,300 sq m. The largest availability was in Prague 5 with 53,300 sq m, representing a vacancy rate of 8.2% and followed by Prague 4 with 44,000 sq m and a vacancy rate of 4.6%. The lowest amount of vacant space was recorded in Prague 2 with 2,900 sq m (vacancy rate of 2.0%) and in Prague 9 with 3,600 sq m (2.3%).

Rents

Prime headline rents stood between €22.50 and €23.00/sq m/month in the city centre at the end of Q1 2020. Inner city prime rents ranged from €15.50 to €17.00/sq m/month and from €13.50 to €15.00/sq m/month in the outer city.

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Appendix

Definitions:

Stock: Total completed office space (occupied and vacant), newly built since 1990 or refurbished, A and B class offices, owner occupied and for lease and public authorities' buildings. Buildings with leasable area lower than 1,000 sq m are excluded.

New supply: Completed newly built or refurbished buildings that obtained a use permit in the given period.

Take-up: A gross figure representing the total floor space known to have been let or pre-let, sold or pre-sold to tenants or owner-occupiers over a specified period. It does not include space that is under offer. A property is taken up when the contract is signed. Total take-up includes renegotiations, lease extension and subleases, net take-up excludes these.

Vacancy rate: Ratio of physically vacant space in completed buildings on the total stock.

Prime rent: Achieved rents that relate to new prime, high specification units in prime locations. However, there might by exceptional assets on the market, in which higher rent could be achieved.

Sublease: Space offered for lease by a tenant who is contractually obliged to occupy the premises for longer period than what they need.

Minimum requirements for inclusion into modern office A- and B-class stock:

- ✓ The building was built or refurbished after 1990
- ✓ Available units are being advertised in an appropriate way
- ✓ The GLA of the building exceeds 1,000 sq m

Major evaluation criteria for office properties classification:

- ✓ Date of completion/refurbishment
- ✓ Size and quality of the reception area
- ✓ Internal height in the working areas
- ✓ Raised floors
- ✓ Suspended ceilings
- ✓ Flexible layout of office areas
- ✓ Air-conditioning, external shading
- ✓ Parking
- ✓ Contiguous floor plates
- ✓ Sustainability of the office building
- ✓ Security and the access system

Other criteria include architectural awards, openable windows, reserve power supply, modern lifts and 24/7 accessibility.

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