

Press release

Prague, 24th April 2019

Prague Research Forum Announces the Office Market Figures for Q1 2019

Introduction

The Prague Research Forum is pleased to announce the office market figures for the first quarter of 2019. 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.

Office Stock and New Supply

A volume of 28,100 sq m of modern office space was delivered to the Prague market in the first quarter of 2019, bringing the total modern office stock to 3.51 million square meters. New completions include two properties in two developments. Rustonka R3 in Prague 8 with 12,900 sq m of office space and Churchill I in Prague 2 with 15,200 sq m.

Development of only one new office building commenced during Q1 2019, a refurbishment of BB Centrum B in Prague 4 (14,200 sq m). There is currently about 337,200 sq m of modern office space under construction, of which 172,500 sq m is expected to be completed by the end of 2019. The remaining space has planned completion in 2020 and 2021.

A-class office stock has about 72% share in 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 2019 amounted to 95,200 sq m, representing a 41% decrease on previous quarter and 16% increase on the first quarter of 2018.

The highest demand in Q1 was recorded in the city districts of Prague 8 (33.3%), Prague 4 (27.2%) and Prague 1 (17.2%). The most active companies were from the IT sector (23.0%), followed by professional services sector (17.0%) and flexible workplace (12.1%).

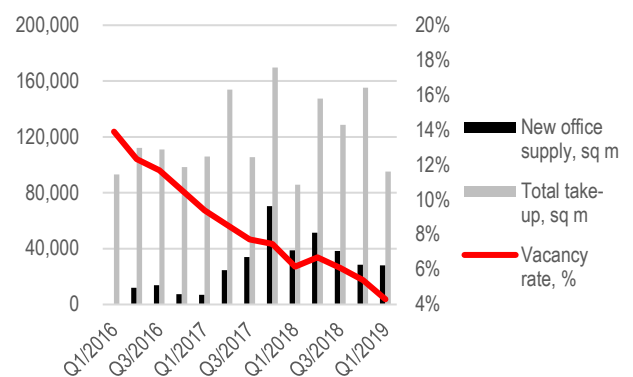
The share of renegotiated leases in the first quarter of 2019 reached 25.9%. Net demand (new leases, expansions and pre-leases) accounted for about 74.1% of the total take-up.

Major Office Leasing Transactions

The major transactions of the first quarter of 2019 were the new occupation of Veeam Software (8,600 sq m) in Rustonka R3, followed by new lease of Spaces in Nile House (3,600 sq m).

Office Vacancy

The share of vacant office space decreased to 4.3%, down 80 basis points in comparison with the revised results of Q4 2018. The vacant space totalled 152,600 sq m. The largest availability was in Prague 5 with 39,300 sq m, representing the vacancy rate of 6.5% in the district, followed by Prague 4 with 36,000 sq m and the vacancy rate of 3.8%. The lowest amount of vacant space was in Prague 3 with 2,600 sq m (vacancy rate of 2.1%) and in Prague 10 with 4,300 sq m (3.1%).



Rents

With decreasing vacancy rate, the pressure on rental increase continued. Prime headline rents in the city centre stood between €22.00 and €22.50/sq m/month in the city centre in the end of Q1 2019. The Inner city prime rents ranged from €15.00 to €16.50/sq m/month and the outer city from €13.50 to €15.00/sq m/month.

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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 be 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:

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

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

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