

Press release

Prague, 23rd July 2019

Prague Research Forum Announces the Office Market Figures for Q2 2019

Introduction

The Prague Research Forum is pleased to announce the office market figures for the second 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 51,800 sq m of modern office space was delivered to the Prague market in the second quarter of 2019, bringing the total modern office stock to 3.57 million square meters. New completions include 5 properties in 3 new developments: ČSOB HQ. II in Prague 5 with 30,000 sq m of office space, Praga Studios in Prague 8 with 10,600 sq m and Mayhouse in Prague 4 with 7,300 sq m and two refurbished buildings in Prague 1: Palác ARA with 2,600 sq m and Na Poříčí 5 with 1,300 sq m.

Development of three new office buildings commenced during Q2 2019, a new construction of two projects: DOCK IN FIVE in Prague 8 (21,600 sq m) and Nova Radnice in Prague 12 (8,000 sq m) and refurbishment of project Riveroff Office House in Prague 7 (1,900 sq m). There is currently about 317,800 sq m of modern office space under construction, of which 122,100 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 23%.

Office Take-up

Gross take-up (including renegotiations and subleases) in the second quarter of 2019 amounted to 100,600 sq m, representing a 9% decrease on previous quarter and 30% decrease on the second quarter of 2018.

The highest demand in Q2 was recorded in the city districts of Prague 8 (38.8%), Prague 4 (27.7%) and Prague 5 (10.2%). The most active companies were from the finance sector (24.3%), followed by public sector (14.3%) and IT sector (12.9%).

The share of renegotiated leases in the second quarter of 2019 reached 49.7%. Net demand (new leases, expansions and pre-leases) accounted for about 50.1% of the total take-up.

Major Office Leasing Transactions

The major transactions of the second quarter of 2019 were the renegotiation of Clearstream (17,100 sq m) in Futurama Business Park in Prague 8, followed by another renegotiation for State Environmental Fund in The Square (7,100 sq m) in Prague 4.

Office Vacancy

The share of vacant office space in Q2 2019 reached 4.6%, an increase of 30 basis points in comparison with the results of Q1 2019. The vacant space totalled 162,500 sq m. The largest availability was in Prague 5 with 43,400 sq m, representing the vacancy rate of 6.9% in the district, followed by Prague 4 with 43,400 sq m and the vacancy rate of 4.5%. The lowest amount of vacant space was in Prague 3 with 2,400 sq m (vacancy rate of 1.9%) and in Prague 10 with 3,400 sq m (2.5%).

Rents

With low 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 Q2 2019. The inner city prime rents ranged from €15.50 to €17.00/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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