

## Press release

Prague, 24th October 2019

### Prague Research Forum Announces the Office Market Figures for Q3 2019

#### Introduction

The Prague Research Forum is pleased to announce the office market figures for the third 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 32,900 sq m of modern office space was delivered to the Prague market in the third quarter of 2019, bringing the year to date completions to 112,900 sq m and the total modern office stock to 3.60 million sq m. Completions include 3 properties: two were new buildings - Dock In Three in Prague 8 with 16,000 sq m and Argentinská Office Building in Prague 7 with 5,800 sq m. The last completed property was refurbishment of Life Building C in Prague 4 with 11,100 sq m.

The development of three new office buildings commenced during Q3 2019, the construction of the next phase of River City in Prague 8, consisting of two new buildings, Mississippi House (13,300 sq m) and Missouri Park (7,400 sq m) and the refurbishment of Sixty House in Prague 4 (5,500 sq m, previously known as Na Pankráci 60). The current pipeline under construction amounts to 315,600 sq m, with 89,100 sq m due in Q4 2019 and 204,900 sq m in 2020.

A-class office stock has a ca. 73% 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 third quarter of 2019 amounted to 85,200 sq m, representing a 17% decrease on the previous quarter and a 34% decrease year on year.

The highest demand in Q3 was recorded in the city districts of Prague 3 (20.7%), Prague 8 (18.9%) and Prague 4 (16.6%). The most active companies were from the professional services sector (23.3%), followed by the IT sector (10.2%) and the consumer goods sector (10.1%).

The share of renegotiated leases in the third quarter of 2019 reached 36.0%. Net demand (new leases, expansions and pre-leases) accounted for 62.8% of the total take-up.

#### Major Office Leasing Transactions

The major transactions of the third quarter of 2019 were the renegotiation and expansion of ExxonMobil (15,400 sq m) in Luxembourg Plaza in Prague 3, followed by expansion and renegotiation of Wargaming in Oasis Florenc (2,700 sq m) in Prague 8, the renegotiation of Camping Gaz in Balabenka (2,500 sq m) in Prague 9 and the pre-lease of Henkel in Dock In Four (2,200 sq m) in Prague 8.

#### Office Vacancy

The share of vacant office space in Q3 2019 reached 5.1%, an increase of 50 basis points in comparison with the mid-year results. The vacant space totalled 182,700 sq m. The largest availability was in Prague 4 with 52,100 sq m, representing a vacancy rate of 5.5% in the district and followed by Prague 5 with 45,300 sq m and a vacancy rate of 7.2%. The lowest amount of vacant space was recorded in Prague 10 with 1,600 sq m (vacancy rate of 1.1%) and in Prague 3 with 3,100 sq m (2.4%).

#### Rents

With the low vacancy rate, the upward pressure on rents continued. Prime headline rents in the city centre stood between €22.50 and €23.00/sq m/month in the city centre at the end of Q3 2019. 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 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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