Press release

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Total leasing activity in 2020 down by 24% in comparison with 2019

Prague Research Forum Announces Office Market Figures for Q4 2020

- **COVID-19 had impact on market activity and postponed several completions of new office projects throughout 2020**
- **Shift from speculative construction to pre-leased backed more common among developers**
- **Share of immediately available space for sublease keeps increasing**
- **Vacancy rate at healthy 7%, virtually no change QoQ**
- **Planned supply for 2021 below average**
- **No new project commenced in Q4 2020**
- **The prime rent stays between 22.00 and 22.50 EUR/sq m**

Introduction

The Prague Research Forum is pleased to announce the office market figures for the fourth 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.

RICS supports the activities of Prague Research Forum.

Office Stock and New Supply

A total volume of 19,700 sq m of modern office space was delivered to the market in last quarter of 2020, bringing the total modern office stock to 3.75 million sq m. During 2020, total volume of 150,500 sq m was delivered. One project was completed during fourth quarter, refurbishment of the historically protected Bubenská 1 in Prague 7 with 19,700 sq m. Project is currently 100% occupied.

Projects under construction amounts 136,400 sqm and approximately 98,100 sq m is expected to be delivered in 2021. From this volume, 34,400 sq m is expected to be completed in Q1 2021. No construction commenced during fourth quarter.

A-class office stock has a ca. 72% share on the total office supply, whereas the top-quality AAA-class properties accounted for over 16%.

The total volume of space immediately available to sublease in Q4 2020 accounted for 64,300 sq m, which is an increase of 36% (or 17,100 sq m) compared to the previous quarter.

Office Take-up

Gross take-up (including renegotiations and subleases) in the fourth quarter of 2020 amounted to 98,700 sq m, representing an 17.6% increase on the previous quarter but an 33% decrease in year-on-year comparison.

The highest demand in Q4 2020 was recorded in the city districts of Prague 4 (22%), followed by Prague 8 (16%) and Prague 7 (15%). The most active companies were from the Advertising/media sector (18%) followed by the professional services sector (14%) and the IT sector (12%).

The share of renegotiated leases in the fourth quarter of 2020 reached 51%. Net demand (new leases, expansions and pre-leases) accounted for 44% of the total gross take-up and the share of subleases accounted for 5%.

Major Office Leasing Transactions

The major transactions of the fourth quarter of 2020 were all renegotiations including Internet Mall (6,300 sq m) in Gen in Prague 7, Havel & Partners (5,200 sq m) in Florentinum in Prague 1 and NET4GAS (4,800 sq m) in Kavčí Hory Office Park in Prague 4. Biggest new occupation was TNT/Fedex (3,800 sq m) in Kotelna Park II in Prague 5. Positive sign is increase of share of pre-construction deals on total take-up. Developer Crestyl managed to secure over 7,000 sq m for their project Hagibor through pre-leases, which will contribute to commencing construction.

Office Vacancy

The share of vacant office space in Q4 2020 remained at 7.0% with virtually no change in comparison with the previous quarter. The vacant space totalled 261,600 sq m. The largest availability was in Prague 5 with 57,100 sq m, representing a vacancy rate of 8.8% and followed by Prague 4 with 56,200 sq m and a vacancy rate of 5.8%. The lowest amount of vacant space was recorded in Prague 2 with 5,100 sq m (vacancy rate of 3.6%) and in Prague 3 with 6,600 sq m (5.4%).

Rents

Although the vacancy rate increased in in 2020 and overall activity slowed down, prime headline rents remained stable and stood between €22.00 and €22.50/sq m/month in the city centre at the end of Q4 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.

Reclassification of office properties

Prague Research Forum

The members of the Prague Research Forum – CBRE, Colliers International, Cushman & Wakefield, JLL and Knight Frank – have undergone a reclassification process of all properties, which are currently included in Prague's office stock to better reflect modern trends in property and development.

The minimum requirements for inclusion into modern office stock of either Class A or Class B remain unchanged and include:

- 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

When assessing the property quality, the major categories included are as follows, with brief description:

- **Technical specifications –** how well is the property built and equipped
- **Smart technologies –** how efficient the buildings are, what smart technologies do they use and what extras to "standard" property equipment do they offer
- **Location –** accessibility, services and amenities in proximity of the property
- **Service and security –** how safe the building is and how it is managed
- **Parking –** parking ratios, with different requirements for properties in the city centre, inner city and outer city
- **Age of building –** building completion or the latest refurbishment date
- **Subjective evaluation –** subjective assessment by Prague Research Forum members

Each of the criteria has subcategories, which enable scoring of the properties, resulting in final score of the property. Maximum weight of each category is as follows:

Category	Share on total
Technical Specifications	41%
Smart Technologies	18%
Location	9%
Service & Security	9%
Age of Building	8%
Parking	8%
Subjective Evaluation	7%

As a result of the reclassification, 47% of the properties are included in Class A, with only 8% reaching the top scores and receiving rating Class AAA. Remaining 53% of the properties are rated as Class B.

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.

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CBRE	JLL	Cushman & Wakefield	Colliers International	Knight Frank
+420 224 814 060	+420 724 879 065	+420 234 603 603	+420 730 156 873	+420 224 217 217