

Press release

Prague, 24th October 2022

No office building construction started in Q3 2022

Prague Research Forum Announces Office Market Figures for Q3 2022

- **Gross take-up increased by 40% year-on-year**
- **Vacancy rate slightly decreased to 8.1%**
- **Three office buildings were completed in Q3 2022**
- **Almost 191,300 sqm of office space was under construction by the end of Q3 2022**
- **Net absorption was positive in the third quarter and reached 24,100 sqm**
- **The prime rent has risen again to EUR 26.00-26.50 per sqm per month**

Introduction

Prague Research Forum is pleased to announce office market figures for the third quarter of 2022. The members of the Prague Research Forum – CBRE, Colliers, Cushman & Wakefield, JLL, Knight Frank, supported by associated member Savills – share non-sensitive information intending to provide consistent, accurate and transparent data about the Prague office market.

RICS supports the activities of the Prague Research Forum.

Office Stock and New Supply

The total size of modern office stock in Prague reached 3.8 mil. sqm at the end of the third quarter of 2022. During Q3 2022, a total of 18,200 sqm of new modern office space was completed in Prague - two new office buildings: Košíře Office Park (5,300 sqm) in Prague 5 and Bastion Florenc (3,400 sqm) in Prague 8, and one refurbished building VIA UNA (9,600 sqm) in Prague 1. By the end of the year, we expect three more projects with a total office space of 11,500 sqm to be completed. Over 191,300 sqm of office space was under construction at the end of Q3 2022, with completion scheduled between 2022 and 2024; most of the space under construction is in Prague 1 (19.5%), Prague 5 (19%) and Prague 7 (17%).

No construction or reconstruction of any office building commenced in the third quarter.

Most of the modern office supply (74%) consists of Class A buildings, with the highest quality AAA-rated space at 651,500 sqm, accounting for more than 17% of the total office stock.

Office Take-up

Total gross take-up (including renegotiations and subleases) reached 137,700 sqm in the third quarter of 2022, representing an 11% quarter-on-quarter increase and a year-on-year increase of 40%.

The highest gross take-up in the third quarter was recorded in Prague 8 (24.5%), followed by Prague 1 (24%) and Prague 4 (16%). Companies operating in the IT (16%), Professional Services (14%) and Finance sector (14%) accounted for the highest share of demand for offices.

New leases of existing space and expansions accounted for 50% of the total gross take-up, while pre-leases of new offices under construction accounted for 9%. Renegotiations of existing contracts represented 40%. The remaining 1% is for subleases of already leased space.

Major Office Leasing Transactions

The largest transaction in the third quarter of 2022 was the renegotiation of KPMG (11,000 sqm) in KPMG Office Centre in Prague 8, followed by the pre-lease of Fio banka (5,400 sqm) in Masaryčka in Prague 1 and the new occupation of Škoda Auto (4,700 sqm) in AFI City in Prague 9.

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Office Vacancy and Net Absorption

The office vacancy rate in Q3 2022 decreased by 20 bps compared to the previous quarter to 8.1%. The total vacant office space reached 308,000 sqm at the end of the quarter. The highest vacancy rates were recorded in Prague 3 (25%) and Prague 9 (18%), the lowest in Prague 8 (5%) and Prague 7 (6%). The majority of vacant space was registered in Prague 4 (66,300 sqm) and Prague 5 (46,000 sqm), contrary there was hardly any vacant space reported in Prague 2 (9,800 sqm) and Prague 10 (11,500 sqm).

Net absorption reflects the change in occupied office space on the market over a given period. The occupied office space increased by 24,100 sqm compared to the previous quarter.

Rents

Prime rents in the third quarter of 2022 increased again and ranged between €26.00-26.50 per sqm per month in the city centre, €17.50-18.00 per sqm per month in the inner city and €15.00-16.00 per sqm per month in the outer parts of the city.

While rents for newly completed buildings in the best locations have been rising steadily since the beginning of the year (currently, by 18% year-on-year), the pace of rent growth for existing office buildings is not that substantial.

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Classification of office properties

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The minimum requirements for inclusion into modern office stock of either Class A or Class B 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 a 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 the 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 the final score of the property. The 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%

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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. 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 and contractually 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.
- Net absorption:** Net absorption reflects the change in occupied office space on the market over a given period. It can be both positive and negative.

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