

## Press release

Prague, 22<sup>nd</sup> July 2021

### The total net leasing activity in Q2 2021 increased by 4% year-on-year

*Prague Research Forum Announces Office Market Figures for Q2 2021*

- In Q2 2021, market was dominated by new leases in existing premises
- Vacancy rate further slightly increased to 7.8%
- Share of immediately available space for sublease decreased by 14% q-o-q
- Net absorption was positive and reached 38,100 sq m in Q2
- Annual supply in 2021 is expected to be the lowest since 2016
- No office projects commenced construction during Q2 2021
- The prime rent stays between 22.00 and 22.50 EUR/sq m/month

## Introduction

The Prague Research Forum is pleased to announce the office market figures for the second quarter of 2021. 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 49,500 sq m of modern office space was delivered to the market in the second quarter of 2021. New completions include four properties, all newly built projects: Bořislavka with 25,400 sq m of office space in Prague 6, Astrid Offices with 3,500 sq m in Prague 7, and Mississippi House with 13,300 sq m and Missouri Park with 7,300 sq m in Prague 8. Prague modern office stock increased to 3.73 million sq m.

Projects under construction amounts to 147,300 sq m with approximately 14,600 sq m due in the second half of 2021, the remaining 132,700 sq m is scheduled in the years 2022-2023. During Q2 2021, neither new nor refurbished project commenced construction.

A-class office stock has a ca. 73% share on the total office supply, whereas the top-quality AAA-class properties accounted for over 17%.

The total volume of space immediately available to sublease in Q2 2021 accounted for 65,000 sq m, which is a decrease of 14% compared to the previous quarter.

## Office Take-up

Gross take-up (including renegotiations and subleases) in the second quarter of 2021 amounted to 89,300 sq m, representing a 5% decrease on the previous quarter but a 10% increase in year-on-year comparison.

The highest demand in Q2 2021 was recorded in the city districts of Prague 8 (21%), followed by Prague 1 (18%) and Prague 4 (14%). The most active companies were from the Professional services sector (13%), followed by the Public sector (10%) and the Consumer Goods sector (10%).

The share of renegotiated leases in the second quarter of 2021 reached 37%. Net demand (new leases, expansions and pre-leases) accounted for 55% of the total gross take-up and the share of subleases accounted for the remaining 8%.

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## Major Office Leasing Transactions

The largest transactions of the second quarter of 2021 were the new occupation of Ministry of Industry and Trade (3,700 sq m) in Václavské náměstí 42 in Prague 1, followed by the prelease of undisclosed US company from Life Science sector (3,500 sq m) in Dock in Five in Prague 8, the new occupation of VŠCHT (3,200 sq m) in Jankovcova 23 in Prague 7 and the sublease of Košík (Rockaway Group) (3,000 sq m) in Blox in Prague 6.

## Office Vacancy and Net Absorption

As of Q2 2021, Prague Research Forum includes net absorption figure amongst the key office market indicators. Net Absorption represents the change in the occupied stock within a market during the survey period. In Q2 2021, net absorption was positive and reached 38,100 sq m.

However, due to strong new office supply, which exceeded net absorption, vacancy rate increased slightly by 20 bps to the level of 7.8%. The vacant space totalled 291,400 sq m as of Q2 2021. The largest availability was in Prague 4 with 70,900 sq m, representing a vacancy rate of 7,3% and followed by Prague 5 with 57,300 sq m and a vacancy rate of 9,0%. The lowest amount of vacant space was recorded in Prague 2 with 5,900 sq m (vacancy rate of 4.4%) and in Prague 3 with 7,400 sq m (6.1%).

## Rents

Despite the rising vacancy rate prime headline rents remained stable and stood between €22.00 and €22.50/sq m/month in the city centre at the end of Q2 2021. 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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## Reclassification of office properties

### Prague Research Forum

The members of the Prague Research Forum – CBRE, Colliers International, Cushman & Wakefield, JLL and Knight Frank – In 2020, 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, 49% of the properties are included in Class A, with only 8% reaching the top scores and receiving rating Class AAA. Remaining 51% of the properties are rated as Class B.

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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.

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