Press release

Prague, 26th October 2021

The total gross leasing activity in Q3 2021 increased by 23% year-on-year

Prague Research Forum Announces Office Market Figures for Q3 2021

- **In Q3 2021, new leases in existing premises dominated the market.**
- **The vacancy rate further slightly increased to 8.0%.**
- **Share of immediately available space for sublease decreased by 21% q-o-q.**
- **Net absorption was negative and reached -9,100 sq m in Q3.**
- **The annual supply in 2021 is expected to be the lowest since 2016.**
- **Three office buildings commenced construction during Q3 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 third quarter of 2021. The members of the Prague Research Forum – CBRE, Colliers, Cushman & Wakefield, JLL, Knight Frank – share non-sensitive information intending to provide clients with consistent, accurate and transparent data about the Prague office market.

RICS supports the activities of the Prague Research Forum.

Office Stock and New Supply

There were no major completions in the third quarter of 2021, and Prague's office stock thus remained at 3.73 million sq m.However, in the last three months of the year, we expect the completion of about 12,900 sq m of modern office space in three projects. Overall, 172,800 sq m of office space were under construction by the end of September, with delivery scheduled mainly for 2022 and 2023. Three buildings commenced construction in Q3: Legatica (8,300 sq m) and Metalica (18,000 sq m) in Nová Waltrovka development in Prague 5 and Red Court (7,100 sq m) in the vicinity of Rustonka in Prague 8.

A-class office stock has a ca. 73% share of 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 Q3 2021 accounted for 48,700 sq m, representing a q-o-q decrease by 16,300 sq m. Several factors led to the reduction of sublease space: some of the office space was sub-let, some companies withdrew their premises from the market, and part of the areas ended their lease contracts and became standard vacant space.

Office Take-up

Gross take-up (including renegotiations and subleases) in the third quarter of 2021 amounted to 103,700 sq m, which represents a 17% increase compared to the previous quarter and a 23% y-o-y increase.

The highest demand in Q3 2021 was recorded in the city districts of Prague 5 (22%), followed by Prague 8 (18%) and Prague 9 (14%). The most active companies were from the finance sector (16%), followed by the IT (14%) and the manufacturing (12%) sectors.

The share of renegotiated leases in the third quarter of 2021 reached 38%. Net demand (new leases, expansions and pre-leases) accounted for 58% of the total gross take-up, and the share of subleases accounted for the remaining 4%.

Major Office Leasing Transactions

The most significant transactions of the third quarter of 2021 were the renegotiation of Nationale Nederlanden (6,000 sq m) in Zlatý Anděl in Prague 5, followed by the renegotiation of a space for Aeskulab (3,500 sq m) in Hadovka Office Park in Prague 6. The largest new deal was closed by Zásilkovna (3,300 sq m) in Balabenka Office Building in Prague 9.

Office Vacancy and Net Absorption

As of Q2 2021, Prague Research Forum includes net absorption figures amongst the key office market indicators. Net Absorption represents the change in the occupied stock within a market during the survey period. In Q3 2021, net absorption was negative with -9,100 sq m.

With limited new office supply and negative net absorption, the vacancy rate increased slightly by 20 bps to the level of 8.0%. The vacant space totalled 298,400 sq m as of Q3 2021. The most extensive availability was in Prague 4 with 74,000 sq m, representing a vacancy rate of 7.7%, followed by Prague 5 with 59,400 sq m and a vacancy rate of 9.4%. The lowest amount of vacant space was recorded in Prague 2 with 4,900 sq m (a vacancy rate of 3.8%) and in Prague 10 with 9,300 sq m (6.3%).

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 Q3 2021. Inner-city prime rents ranged from €15.50 to €17.00/sq m/month and €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, 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.

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.

For further information and download our press releases please visit our website www.pragueresearchforum.cz

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