

Press release

Prague, 24th January 2022

Q4 2021: Prague's office market revived in the second year of the pandemic, the growth in demand was accompanied by rental increase

Prague Research Forum Announces Office Market Figures for Q4 2021

- **Almost 200,000 sq m of office space was under construction by the end of Q4 2021, most of it in Prague 5 and Prague 8**
- **In 2022, 76,300 sq m of office space is due for completion, significantly below the average of recent years**
- **Office space available for sublease increased by 27% in Q4 2021**
- **Gross take-up increased by 6% year on year**
- **Net absorption was positive at 6,100 sq m in Q4 2021, indicating continued interest in office space**
- **Vacancy rate decreased for the first time in almost three years to a level of 7.8%**
- **Prime rent grew to €23.50–24.00 per sq m per month; further growth is expected**

Introduction

Prague Research Forum is pleased to announce office market figures for the fourth quarter of 2021. The members of the Prague Research Forum – CBRE, Colliers, Cushman & Wakefield, JLL, Knight Frank – share non-sensitive information intending to provide consistent, accurate and transparent data about the Prague office market.

RICS supports the activities of Prague Research Forum.

Office Stock and New Supply

Prague's office stock remained at 3.73 million sq m at the end of 2021. The Viktoria Office Center building (1,700 sq m) of CTR Group was the only building completed in Q4 2021. During the entire year of 2021, 56,000 sq m of office space in eight buildings was delivered to the market, which is 62% less than in the previous year. The completion of only nine office projects with a total area of 76,300 sq m is expected in 2022, followed by another 140,000 sq m planned for 2023, assuming the developers meet their scheduled deadlines.

In Q4 2021, the construction of two office buildings commenced: Roztyly Plaza by Passerinvest (20,000 sq m in Prague 4) and Block Karlín by Ungelt (8,200 sq m in Prague 8). Throughout 2021, construction of 127,800 sq m started in eight office projects (12 buildings), almost three times more than in 2020. At the end of December 2021, 195,200 sq m of office space was under construction, 43% more than at the end of the previous year.

A-class buildings account for most of the modern office supply (73%), with the highest quality AAA-class space accounting for over 17% of the total office stock.

The total volume of space immediately available to sublease reached 78,700 sq m in Q4 2021, 27% more than in the previous quarter.

Office Take-up

Gross take-up (including renegotiations and subleases) totalled 106,000 sq m in Q4 2021, representing a 6% year-on-year as well as quarter-on-quarter increase.

The highest gross take-up was recorded in Prague 4 (24%), Prague 8 (20%) and Prague 5 (18%). Companies operating in IT (22%), professional and consulting services (14%) and finance (10%) accounted for the highest demand.

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New leases of existing space and expansions accounted for 48% of the total gross take-up, while pre-leases of new offices under construction accounted for only 7%. Renegotiations of existing contracts represented another 44%. The remaining 1% is comprised of subleases of already leased space.

Gross take-up for the whole year of 2021 increased by 16% compared to the previous year to the level of 387,100 sq m. Most spaces were leased in Prague 4 (22%) and Prague 8 (18%). The highest interest among tenants came from IT companies (16%) and professional services (12%).

Major Office Leasing Transactions

The largest transaction in Q4 2021 was the renegotiation of the lease to Thales DIS Czech Republic in BB Centrum (4,400 sq m). Other two significant transactions were the pre-leases of space in PORT 7 by the insurance company Direct pojistovna (4,200 sq m) and the co-working operator Scott.Weber (3,800 sq m).

Office Vacancy and Net Absorption

Net Absorption represents the change in the occupied stock within a market during the survey period. Compared to the previous quarter, the occupied office stock increased by 6,100 sq m. However, year-on-year absorption was negative: the occupied office stock declined by 12,800 sq m.

Vacancy rate decreased slightly from 7.9% in Q3 to 7.8% in Q4 2021. The vacant space totalled 292,700 sq m at the end of the quarter. The highest amount of vacant space was in Prague 4 (71,400 sq m) and Prague 5 (51,200 sq m). The lowest amount of vacant space was recorded in Prague 2 (9,800 sq m) and Prague 10 (8,600 sq m). However, the highest vacancy rate was in Prague 3 (14.9%) and Prague 9 (14.6%), the lowest in Prague 7 (4.8%) and Prague 10 (5.8%).

Rents

The prime headline rents increased in Q4 2021 and ranged between €23.50–24.00 per sq m per month in the city centre, €16.00–18.00 per sq m per month in the inner city and €13.50–15.00 per sq m per month in the outer city.

Rising construction costs are also reflected in fit-out contributions and other incentives.

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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.

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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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