

Press release

Prague, 25th July 2022

Q2 2022: Leasing activity was driven by IT companies in the second quarter of 2022

Prague Research Forum Announces Office Market Figures for Q2 2022

- **Gross take-up increased by 41% year-on-year**
- **Two new office buildings were completed in Q2 2022**
- **Volume of office construction increased by 47% year-on-year and exceeded 216,000 sqm of office space**
- **Vacancy rate remained unchanged at 8.4%**
- **Net absorption was positive in the second quarter and reached 1,500 sqm**
- **Prime rents have risen again to EUR 25.00-25.50 per sqm per month, however, the rent gap between newly completed and existing buildings continues to widen**

Introduction

Prague Research Forum is pleased to announce office market figures for the second 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

Total modern office stock in Prague reached 3.75 mil. sqm at the end of June 2022. During Q2 2022, a total of 22,700 sqm of new modern office space was completed in Prague. In total, two new office buildings were delivered to the market. The office building Dock In Five (20,500 sqm), which is part of the administrative complex of Dock In buildings developed by Crestyl, was completed in Prague 8. . The second completed building in this quarter was the smaller office building Košířská brána (2,200 sqm) in Prague 5. By the end of the year, we expect six more projects with a total office space of 28,800 sqm to be completed. Over 216,000 sqm of office space was in the active construction phase at the end of the second quarter, with planned completion between 2022 and 2024.

In the second quarter, the reconstruction of the first phase of the industrial building E Factory (19,300 sqm) in the Pragovka complex in Prague 9 began. New construction commenced on three office buildings: Hagibor 02 (15,000 sqm), Hagibor 01 (12,100 sqm) in the Hagibor project in Prague 10 and Rohan City A1 (9,300 sqm) in the newly emerging Rohan City district in Prague 8.

The majority of the modern office supply (74%) consists of A-class buildings, with the highest quality AAA-rated space accounting for more than 17% of the total office stock.

Office Take-up

Total gross take-up (including renewals - renegotiations - and subleases) reached 123,700 sqm in the second quarter of 2022, a quarter-on-quarter decrease of 7% and a year-on-year increase of 41%.

The highest gross take-up in the second quarter was recorded in Prague 4 (40%), followed by Prague 8 (18%) and Prague 1 (17%). The highest demand for offices was realized by IT companies (33%), the Pharmaceuticals sector (11%) and the Finance sector (8%).

The share of renegotiations reached 32% in Q2 2022, while new leases (incl. pre-leases and expansions) accounted for 65% of the total gross take-up. The share of subleases accounted for the remaining 3%.

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Major Office Leasing Transactions

The largest disclosed transaction in the second quarter of 2022 was the pre-lease of SCS Software (9,700 sqm) in Roztyly Plaza (which is currently under construction) in Prague 4. Followed by the renegotiation of a confidential tenant from the IT sector (4,200 sqm) in the BesNet Centrum in Prague 4 and the new lease for the inhouse flexible office concept Fleksi (3,800 sqm) by Passerinvest in their Filadelfia building in the Brumlovka office complex in Prague 4.

Office Vacancy and Net Absorption

Net absorption reflects the change in occupied office space on the market over a given period. Compared to the previous quarter, the occupied office space increased by 1,500 sqm.

The office vacancy rate stood at the same level as in the previous quarter, the vacancy rate remained at 8.4% in Q2 2022. The total vacant office space reached 313,400 sqm at the end of this quarter. The highest vacancy was registered by Prague 4 (75,800 sqm) and Prague 5 (49,300 sqm). On the contrary, the lowest vacancy was reported in Prague 10 (9,800 sqm) and Prague 2 (10,400 sqm). The highest vacancy rates were recorded in Prague 3 (26%) and Prague 9 (22.4%), the lowest in Prague 7 (4.4%) and Prague 8 (5.6%).

Rents

Prime rents in the second quarter of 2022 increased again and is in the range of EUR 25.00-25.50 per sqm per month in the city centre, EUR 16.50-18.50 per sqm per month in the inner and EUR 14.00-16.00 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 13% year-on-year), the pace of rent growth for existing office buildings is not that substantial. The price difference between newly built and existing office buildings is thus constantly widening, and this trend can be expected in the following periods as well.

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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 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%

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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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