

Press Release

Prague, 22 April 2024

Q1 2024: Despite the decrease in take-up levels, vacancy rates have increased only slightly and prime headline rents continued to grow

Prague Research Forum Announces Office Market Figures for Q1 2024

- There are 71,300 sq m of office space under construction, out of that 82% should be completed this year
- In Q1 2024, one office building was completed - Rožtyly Plaza in Prague 4 (21,700 sq m), annual new supply could amount to 80,300 sq m, which is significantly below the long-term average
- Gross take-up in Q1 2024 reached 108,700 sq m, down by 19% year-on-year
- Net take-up totalled 46,000 sq m, representing a 38% decrease to the same period last year
- Net absorption remained positive in Q1 at 8,900 sq m
- The vacancy rate increased by 30 bps quarter-on-quarter to 7.5%
- The prime headline rent has continued increasing to €27.50-28.00/sq m/month

Introduction

Prague Research Forum is pleased to announce the office market figures for the first quarter of 2024. The members of the Prague Research Forum – CBRE, Colliers, Cushman & Wakefield, iO Partners, Knight Frank and Savills – share non-sensitive information with the intention of providing consistent, accurate and transparent data about the Prague office market.

RICS supports the activities of the Prague Research Forum.

Commentary

Jan Babka, Head of Occupier Strategy and Solutions, Knight Frank, comments: *“The situation on the Prague office market remains more or less stable as in previous quarters, occupiers prefer to extend their existing lease contracts rather than relocate to new offices. Most companies are waiting and streamlining their space, they are also negotiating more flexibility into their lease contracts so that they can react faster to any changes in the market. We still see some companies moving from outer city office hubs towards the centre and inner city, trying to attract the workforce back to the offices with the location and new office space.”*

Office Stock and New Supply

In Q1 2024, total modern office stock in Prague reached 3.9 mil. sq m. In the first quarter, one new office building was completed – Rožtyly Plaza (21,700 sq m) in Prague 4. During the same period, one new development was launched, PernerKa (9,300 sq m) in Prague 8, the first new construction launch since Q2 2022. There are currently 71,300 sq m under construction, of that 82% should be completed this year. Thus, the annual new supply in 2024 is expected to total 80,300 sq m, an 18% decrease compared to 2023 and significantly below the long-term average.

Class A office buildings represent the majority of existing office stock (74%), with the highest quality AAA-rated space accounting for more than 20% of the total office stock.

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Office Take-up

Total gross take-up (including renegotiations and subleases) reached 108,700 sq m in the first quarter of 2024, down by 35% on the previous quarter and 19% down year-on-year.

Net take-up amounted to 46,000 sq m, down by 38% year-on-year and 25% down compared to the previous quarter.

Renegotiations accounted for a leading 57% of the total gross take-up. New leases and expansions made up 38% of the total gross take-up, with pre-leases of new offices under construction contributing only 4%. The remaining 1% was attributed to subleases of already leased space.

The highest gross take-up in the first quarter was recorded in Prague 4 (27%), followed by Prague 8 (25%) and Prague 1 (16%). Technology companies were the main driver of demand (17% share of gross take-up), followed by companies from the finance sector (13% share).

Major Office Leasing Transactions

The largest transactions in the first quarter of 2024 included Trinity Bank taking 7,600 sq m at Trinity Palace in Prague 1—where it is also the owner—followed by a renegotiation and expansion by Grant Thornton for 5,000 sq m at Parkview in Prague 4, and a renegotiation by Mattoni 1873 for 3,800 sq m at myhive Palmovka 4 in Prague 8.

Office Vacancy and Net Absorption

Net absorption reflects the change in occupied office space on the market over a given period. The occupied office space increased in Q1 2024 by 8,900 sq m compared to the previous quarter.

The office vacancy rate in the first quarter of this year increased slightly by 30 basis points quarter-on-quarter to 7.5%; however, the Prague-wide vacancy rate remained stable on an annual basis.

The total volume of vacant office space reached 292,000 sq m. The largest vacant space was registered in Prague 4 (65,900 sq m) and Prague 5 (60,700 sq m), the least vacant space was in Prague 2 (5,600 sq m) and in Prague 10 (6,400 sq m), which are overall small office submarkets. The highest vacancy rate was recorded in Prague 3 (19.8%) and in Prague 7 (13.2%), the lowest vacancy rate then in Prague 8 (3.0%) and in Prague 10 (4.2%).

Rents

Prime headline rents slightly increased in Q1 2024 to €27.50-28.00 per sq m per month in the city centre, €18.00-19.00 per sq m per month in the inner city and €15.50-16.00 per sq m per month in the outer parts of Prague.

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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 sqm

When assessing the property quality, the major categories included are as follows, with a brief description:

- **Technical specifications** – how well the is property built and equipped
- **Smart technologies** – how efficient the buildings are, what smart technologies they use and what extras to “standard” property equipment 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 the 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 a 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. Gross take-up includes renegotiations, lease extensions 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 headline 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 a 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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