

Press Release

Prague, 23 October 2024

Q3 2024: Despite a slight increase in vacancy, demand for new offices persists. However, companies still prefer renegotiations.

Prague Research Forum Announces Office Market Figures for Q3 2024

- **During the first three quarters of 2024, a total of 458,100 sq m of office space was leased in Prague, representing a 27% increase compared to the same period last year. In the third quarter alone, 132,600 sq m of office space was leased.**
- **The vacancy rate increased by 15 basis points to 8.1% compared to the previous quarter, with approximately 318,200 sq m of office space currently available on the market.**
- **Despite the rising vacancy rate, prime rents remained stable in both the city centre and the outer city. In the inner city, however, prime rents increased by 50 cents to €18.50-19.50/sq m/month.**

Introduction

The Prague Research Forum is pleased to announce the office market figures for the third quarter of 2024. The forum's members—CBRE, Colliers, Cushman & Wakefield, iO Partners, Knight Frank, and Savills—share non-sensitive information to provide consistent, accurate, and transparent data about the Prague office market.

RICS supports the activities of the Prague Research Forum.

Commentary

Radka Novak, Head of Office Agency, Central and Eastern Europe, Cushman & Wakefield, comments:

Although companies still prefer to renegotiate existing leases rather than relocate to new premises, lease renewals are almost always accompanied by interior modifications that lead to more efficient use of space and create a more attractive working environment for employees. Additionally, in recent months, an increasing number of corporations have instructed employees to return to the office for up to five days a week, and implementing these policies will likely require expansion. The supply of new office space remains limited, particularly in popular locations in the wider city centre, which continues to push up rental prices. It is now more challenging for occupiers to find new space, but with further growth in construction activity and particularly growing secondary supply of fitted-out space, the situation should gradually improve."

Office Stock and New Supply

By the end of September 2024, the total office space in Prague increased to 3.95 million sq m. During the third quarter of 2024, the reconstruction of one office building was completed, namely Riveroff Office House in Prague 7, offering a total of 1,400 sq m of office space. An additional 3,500 sq m of office space is expected to be completed by the end of 2024, bringing the total office space added in 2024 to 73,000 sq m.

In the third quarter of 2024, no new construction or refurbishment of existing office projects was initiated. Currently, there are seven projects under construction, totalling 166,600 sq m of office space. The largest project

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under construction is Smíchov City in Prague 5, which will offer 119,200 sq m of office space upon its completion in 2027.

Most of the modern office stock (74%) comprises Class A buildings, while the highest quality AAA-rated space accounts for approximately 21%.

Office Take-up

Total gross take-up (including renegotiations of existing contracts and subleases) reached 132,600 sq m in the third quarter of 2024, representing a year-on-year increase of 55%, but a quarter-on-quarter decrease of 39%. Since the beginning of 2024, a total of 458,100 sq m has been leased, 27% more than in the same period last year.

The highest gross take-up in the third quarter was recorded in Prague 4 (33%), Prague 8 (20%), and Prague 5 (19%). Demand was primarily driven by technology companies (24%), followed by companies from the financial sector (18%) and manufacturing companies (16%).

New leases and expansions within existing space accounted for 36% of the total gross take-up, while there were only two pre-leases of new offices under construction, contributing just 1% of the quarterly take-up. Renegotiations of existing lease contracts accounted for 61% of total demand. The remaining 2% were subleases of already leased space.

Major Office Leasing Transactions

The largest transaction in the third quarter of 2024 was the prolongation of a confidential tenant (18,400 sq m) in Prague 4. Other significant transactions included the renegotiation by a technology company at Rustonka R3 (8,600 sq m) in Prague 8 and the renegotiation of Skanska at Corso Court (5,800 sq m), also in Prague 8.

Office Vacancy and Net Absorption

Net absorption reflects the change in occupied office space on the market over a given period. In this quarter, for the first time since Q3 2021, negative absorption was recorded, meaning that office occupancy in Prague was 1,400 sq m lower in this quarter than in the previous one.

The office vacancy rate in the third quarter of this year increased by 15 basis points quarter-on-quarter to 8.1%. In a year-on-year comparison, this represents an increase of 78 basis points.

The total volume of vacant office space increased to 318,200 sq m. The highest vacancy rates were recorded in Prague 3 (17.8%) and Prague 7 (16.7%), while the lowest vacancy rates were in Prague 2 (2.3%) and Prague 8 (3.9%).

Rents

Prime headline rents in the city centre remained stable at €28.5029.00 per sq m per month. In the inner city, they increased by 50 cents to €18.50-19.50 per sq m per month. Prime rents in the outer city also remained stable at €15.50-16.50 per sq m per month.

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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. Owner occupation deals are included in take-up when the project commences construction.
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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