

## Press Release

Prague, 24 January 2025

### Q4 2024: Tough year ends with promising results, but challenges persist

*Prague Research Forum Announces Office Market Figures for Q4 2024 and 2024*

- **Vacancy rate decrease in Q4 was the largest since 2018**
- **Completion of one office project**
- **Record annual take-up of more than six hundred thousand square meters**
- **Prime rents increased in the city centre, with asking rents rising citywide**
- **No new construction commencement in the past six months**

## Introduction

The Prague Research Forum is pleased to announce the office market figures for the fourth quarter 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

**Jana Vlková, Head of Office Agency & Workplace Advisory, Czech Republic, Colliers, Comments:**

*„Prague office market finished the year 2024 with record levels of take-up but with minimum new office development planned for the coming years. As a result, the vacancy rate started to drop to the current level reaching 7.3%. Such a number is still considered as healthy; however, large office transactions tend to face difficulties in finding a sufficient number of comparable options for relocations. The limited pipeline of new speculative developments will amplify the imbalance between supply and demand. The office rents have stabilized in the past year but with the limited options for relocations will face further pressure to grow in the coming months. The office market will slowly turn into the Landlord-favourable market.,,*

## Office Stock and New Supply

At the end of Q4 2024, the total office space in Prague increased to 3.96 million sq m. During the fourth quarter of 2024, only one office project, the refurbishment of 100 Yards in Prague 1, was finished. This project increased modern office stock by 3,300 sq m. As anticipated, the total new supply for 2024 reached 72,800 sq m across eight projects. For 2025, only 24,600 sq m of new supply is expected.

No new construction or refurbishment projects were initiated, now for the second quarter in a row. The total volume of office space under construction at the end of Q4 2024 was 164,300 sq m. However, the majority of this space has already been taken. The largest volume of offices under construction is located in Prague 5, within the Smíchov City project.

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

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## Office Take-up

Total gross take-up (including renegotiations of existing contracts and subleases) in Q4 2024 reached 185,100 sq m, representing an 11% year-on-year increase and a 39% quarter-on-quarter increase. New leases and expansions accounted for 38%. Thanks to several large pre-leases, these contributed 12%. Renegotiations were 48% of the gross demand, while subleases accounted for the remaining 2%. Prague 4 recorded the highest gross demand (30%), followed by Prague 1 (16%) and Prague 8 (15%).

Demand was fairly distributed across several sectors. Technology companies led with 18% of the gross take-up, followed by Finance (14%) and Energy companies (14%).

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In 2024, gross take-up reached 636,700 sq m. The volume from 2022 was surpassed by 18%, and the previous year's total was exceeded by 21%. New leases and expansions represented 33% of annual gross take-up, preleases 16%, and subleases 2%. The expected large share of renegotiations reached 49%.

Most demand during 2024 was recorded in Prague 4 and 5 (both 25%), followed by Prague 8 (17%).

The leading sector of demand in 2024 were Financial companies (25%), followed by Technology (18%) and Professional Services (8%).

## Office Vacancy and Net Absorption

Net absorption reflects the change in occupied office space on the market over a given period. A positive absorption of 31,100 sq m was recorded in Q4 2024, meaning that office occupancy in Prague increased significantly.

The office vacancy rate in Q4 2024 decreased by 66 basis points from the previous quarter to 7.3%. In a year-on-year comparison, it represents an increase of 24 basis points.

The total vacant modern office space volume in Prague declined to 290,700 sq m. The lowest vacancy rates were recorded in Prague 2 (2.6%) and Prague 8 (3.6%). On the contrary, the highest was seen in Prague 3 (19.0%) and Prague 10 (12.0%).

## Rents

Prime rents, representing the headline rent of the best offices available, increased marginally and within the city centre, where they are between €28.50 and €29.50 per sqm per month. In the inner city, prime rents remained between €18.50 and €19.50. The outer city locations currently have prime rents between €15.50 and €16.50.

Although prime rents increased slightly, asking rents continue to grow also in the remaining established office hubs, driven by local competition, sustained demand, elevated construction costs and a limited supply of high-quality products.

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# Classification of office properties

## Prague Research Forum

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 property is 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 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:

<b>Stock:</b>	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.
<b>New supply:</b>	Completed newly built or refurbished buildings that obtained a use permit in the given period.
<b>Take-up:</b>	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, while net take-up excludes these. Owner occupation deals are included in take-up when the project commences construction.
<b>Vacancy rate:</b>	The ratio of physically and contractually vacant space in completed buildings on the total stock.
<b>Prime rent:</b>	Achieved headline rents related to new prime, high-specification units in prime locations. However, there might be exceptional market assets where higher rent could be achieved.
<b>Sublease:</b>	Space is offered for lease by a tenant who is contractually obliged to occupy the premises longer than they need.
<b>Net absorption:</b>	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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