

Prague Office Market



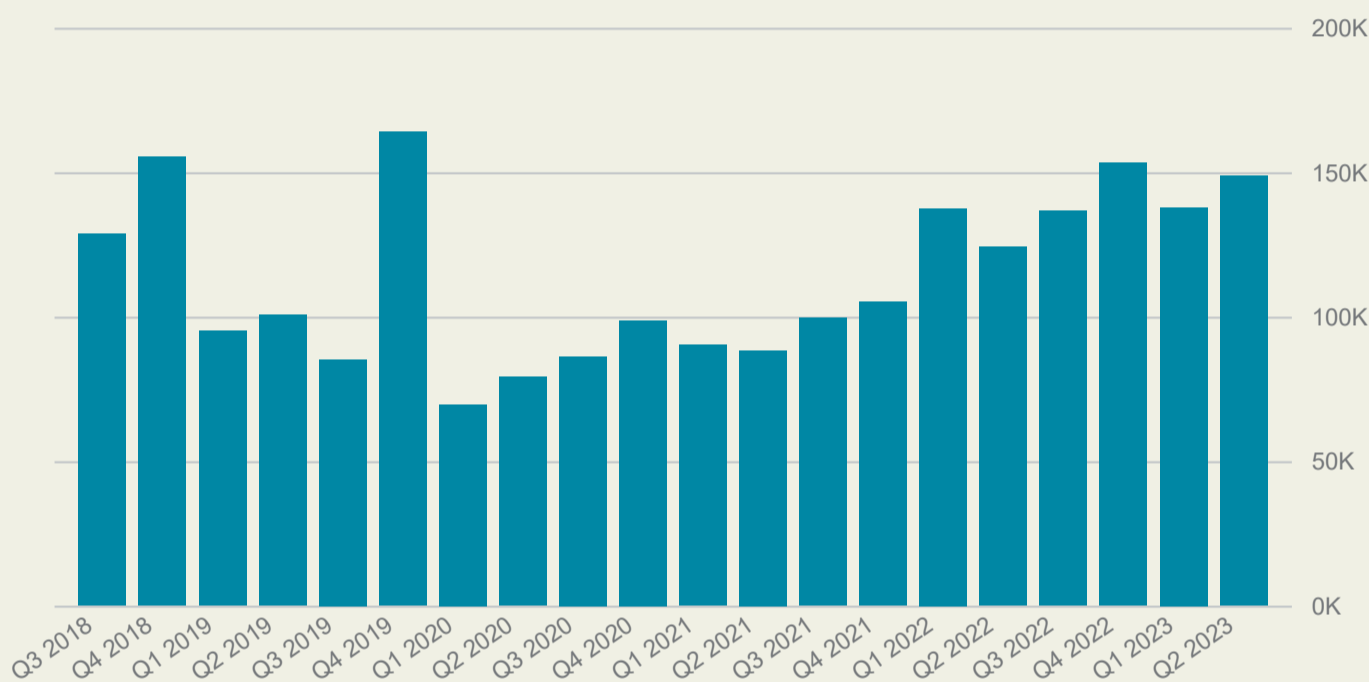
Q2 2023

Updated quarterly, our dashboards provide a concise synopsis of occupier activity in Europe's markets.

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Take up

Over the last 5 years, square metres



Source: Knight Frank Research

OCCUPIER MARKET KEY FIGURES

148,800 SQM

Take up

€ 324 PSQM

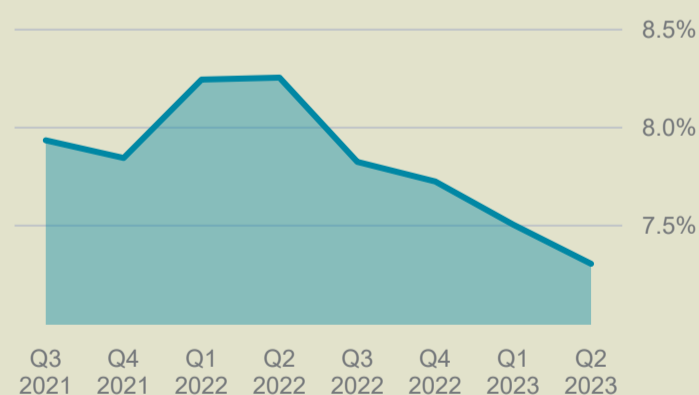
Prime Rent

7.3%

Vacancy Rate

Vacancy Rate

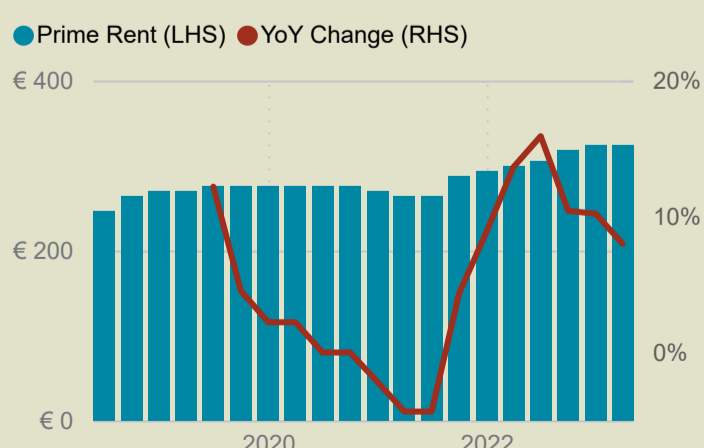
Measured in percentage terms



Source: Knight Frank Research

Prime Rent

Rents and the year-on-year change, Euros per square metre



Source: Knight Frank Research

OCCUPIER HEADLINES

The Prague office market saw strong take up in Q2 2023 of 148,800 sqm. This is 8% more than what was recorded in Q1 of this year, and 20% above the volume from Q2 2022. It is also the highest level of Q2 take up seen in the last 5 years.

The market saw an elevated number of renegotiations, amounting to 53% of the take up volume. Of the remainder, 41% were found to be new leases and expansions, 4% were pre-leasing deals, and 2% were subleases. The two largest deals in the quarter were both renegotiations, one with DHL Information Services in 18,000 sqm and the other with Microsoft in 16,100 sqm.

Vacancy compressed by 20 bps to 7.3%, continuing the downward trajectory in place since the most recent peak of 8.24% in Q1 2022.

After a large volume of construction completions in Q1 2023, there were no new supply deliveries in Q2.

For the fourth consecutive quarter, no new construction or refurbishment projects were launched. The under construction pipeline for upcoming quarters is light, making relocation options for tenants seeking top quality, ESG-compliant premises very limited. Many projects are stuck in planning stages given the environment of developer caution surrounding rising construction costs and challenges with obtaining financing.

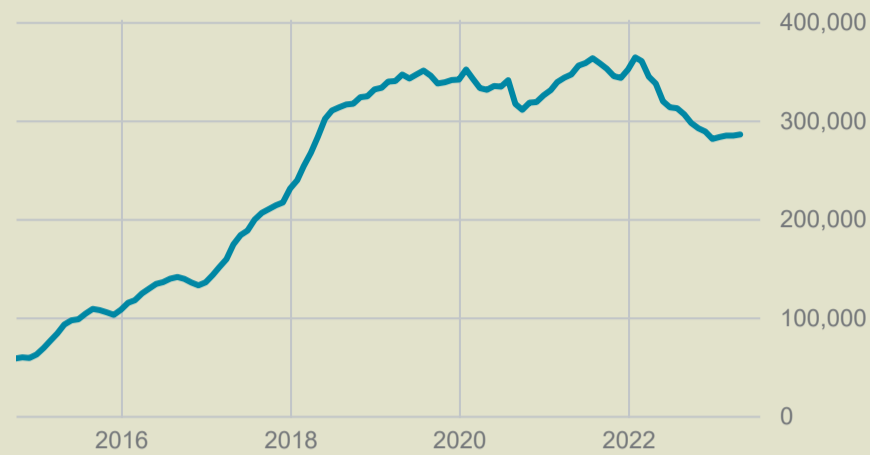
Prime rental rates held firm at € 324 psqm per annum. This represents an 8% increase year-on-year. They have been steadily on the rise since a recent low of € 264 psqm in Q3 2021.

The prime rental growth is driven mainly by new construction in the City Centre, which has allowed landlords of older buildings to increase their rental levels as well, although not quite as high as the prime rent. However, their rent still exceeds what was the prime rent in the city only a few years ago, despite the fact that the buildings have aged.

ECONOMIC INDICATORS

Job Vacancies, Unfilled

Czech Republic, Total Job Vacancies

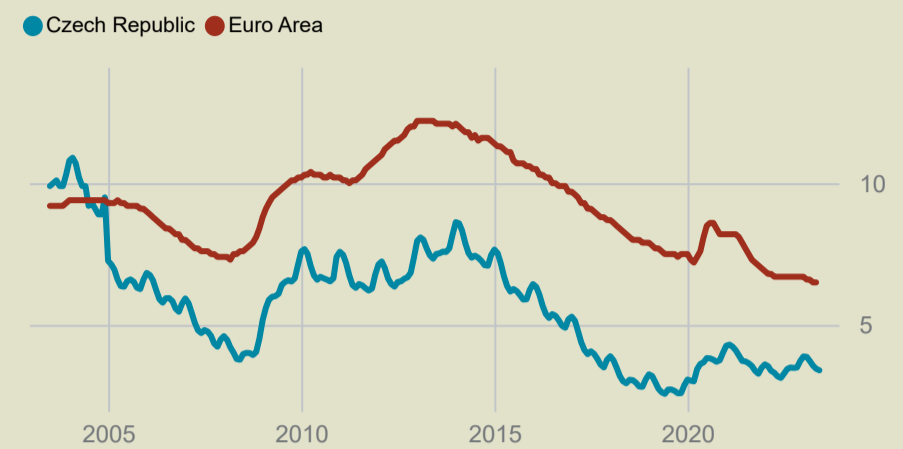


Source: OECD (Organisation for Economic Co-operation and Development)

The number of unfilled job vacancies in the Czech Republic increased in Q2 2023, reversing the downward trajectory from last year. The labour market faces scarcity challenges as a result of the poor demographic profile and migration of workers to other EU countries.

Unemployment Rate in Czech Republic

vs Euro Area, as a Percent of Civilian Labour Force, %



Source: Eurostat/ Czech Ministry of Labor & Social Affairs

The unemployment rate in the Czech Republic remains one of the lowest in Europe. It increased to a two-year high of 3.9% in January, and has since ticked downward to 3.4% as of June, despite firms' hiring intentions declining. At these levels the unemployment rate is still well below the ten-year average (4.8%).

Employment Expectations in the Service Sector in Czech Republic

Over the next 3 months, %



Source: European Commission (DG ECFIN)

Amid the anticipated labour market conditions, the service sector employment expectations indicator declined to -21 in April. It then improved slightly to -15 by June, still remaining in negative territory as it has since October 2019.

Services Confidence Indicator in Czech Republic

Services Confidence Indicator for the last 5 years, Index



Source: European Commission (DG ECFIN)

Service sector confidence fluctuated slightly in Q1 2023 but remains in contractionary territory as high inflation weighs on consumer spending.

We like questions, if you've got one about our research, or would like some property advice, we would love to hear from you.

LOCAL RESEARCH CONTACT

Ondřej Vlček
Head of Research & Consultancy
ondrej.vlk@cz.knightfrank.com
+420 224 217 217

LOCAL OFFICE OCCUPIER CONTACT

Richard Curran
Managing Director
richard.curran@cz.knightfrank.com
+420 224 217 21

LONDON CONTACT

Colin Fitzgerald
Head of Occupier Strategy & Solutions EMEA
colin.fitzgerald@knightfrank.com
+44 20 7861 1203



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