

# Prague Office Market

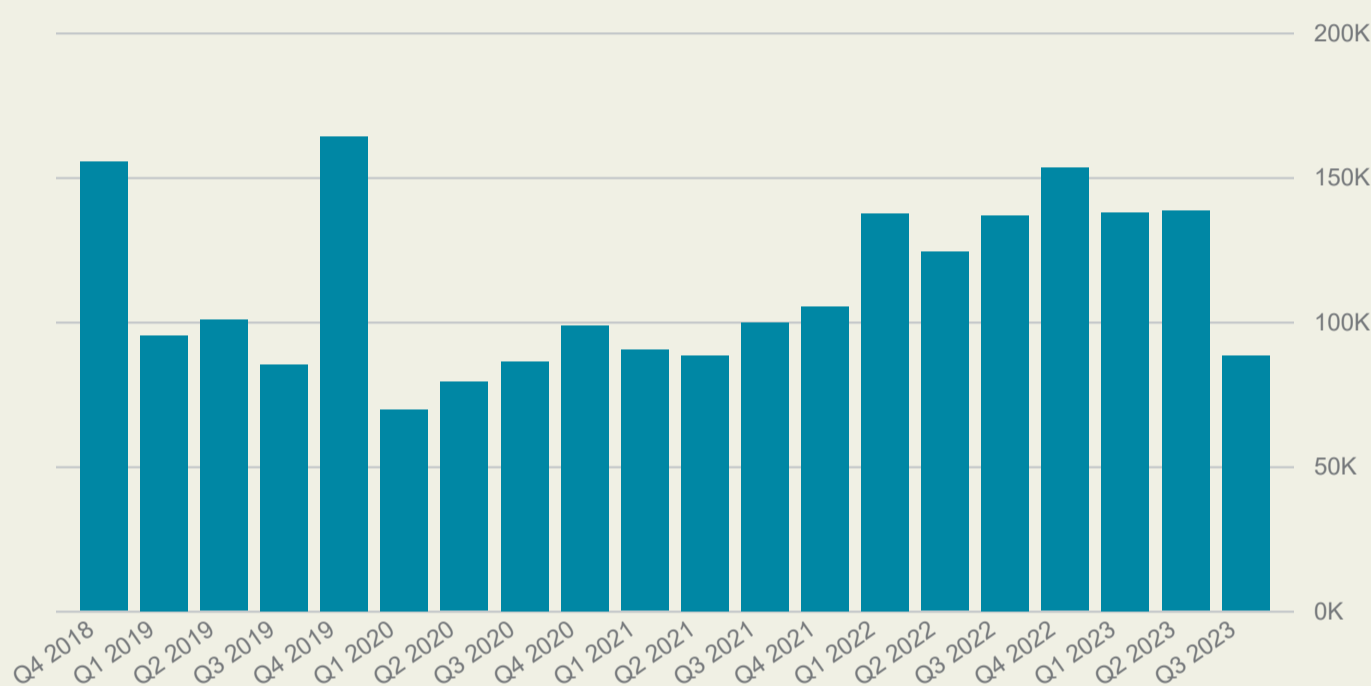
Q3 2023

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

[knightfrank.com/research](https://knightfrank.com/research)

## Take up

Over the last 5 years, square metres



Source: Knight Frank Research

## OCCUPIER MARKET KEY FIGURES

**88,200** SQM

Take up

**€ 324** PSQM

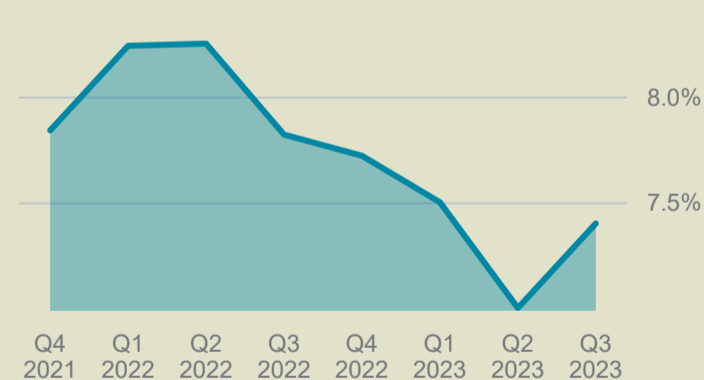
Prime Rent

**7.4%**

Vacancy Rate

## Vacancy Rate

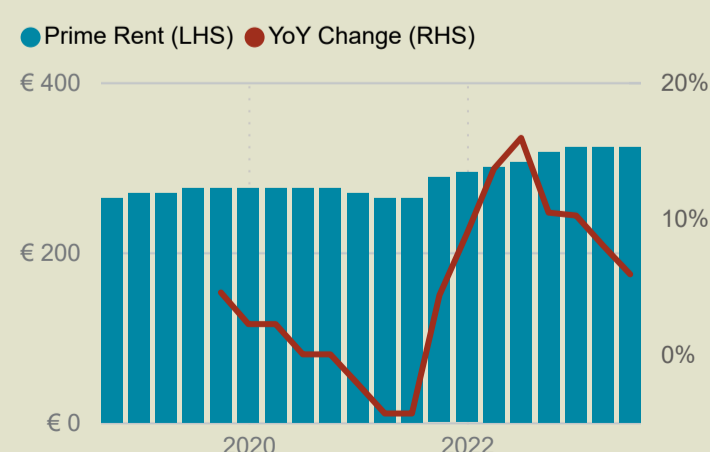
Measured in percentage terms



Source: Knight Frank Research

## Prime Rent

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



Source: Knight Frank Research

## OCCUPIER HEADLINES

Total leasing activity in the Prague office market decreased in Q3 2023 by 36% quarter-on-quarter and 34% year-on-year to 88,200 sqm. Technology companies accounted for the highest share in total leasing activity in Q3 2023 (14%), followed by the pharmaceutical sector and construction, making up 11% of take-up respectively.

Recent figures confirm that occupiers tend to prefer renegotiations of their existing leases which represented 50% of the total leasing activity in Q3 due to increased relocation costs and changes in workplace strategy. While subleases recorded only 3% of the total leasing activity, there were 58,500 sqm of office space offered for sublease, representing an additional 1.5% shadow vacancy.

Overall office vacancy increased to 7.4% in Q3 2023. Looking ahead, vacancy rates are forecast to remain relatively stable due to the combined effects of lower new supply with second-hand excess office space coming to the market upon lease expiries.

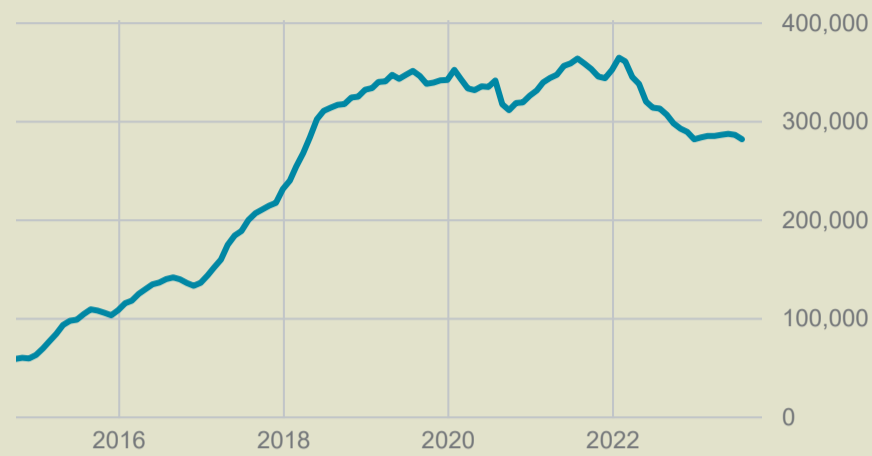
Only one smaller refurbishment project started in Q3 2023 and there have been no new construction projects initiated since Q2 2022. This will undoubtedly limit the choice for prospective occupiers searching for prime office space in both 2024, and notably, in 2025. New supply in 2024 is expected to amount to only around 80,000 sqm.

Looking ahead, we foresee sustained rental growth pressures primarily in the city centre and in some inner city locations where demand outpaces supply due to limited supply pipeline in the coming two years. On the other hand, outer city locations with higher vacancy rates may face rent reductions.

## ECONOMIC INDICATORS

### Job Vacancies, Unfilled

Czech Republic, Total Job Vacancies

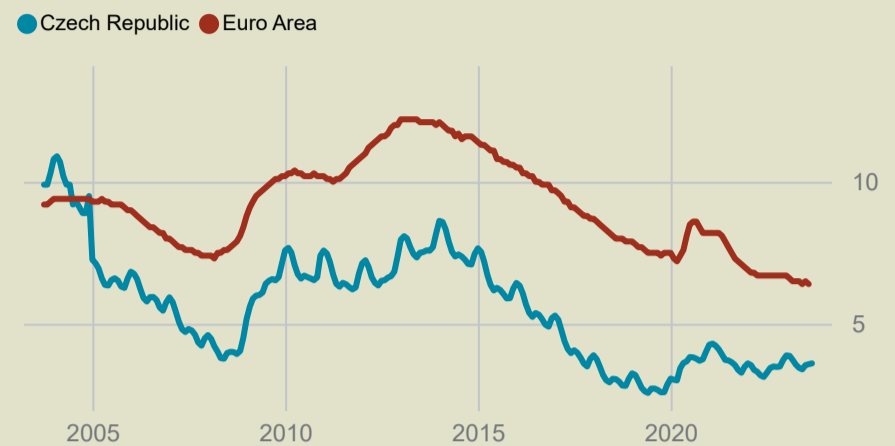


Source: OECD (Organisation for Economic Co-operation and Development)

The number of unfilled job vacancies in the Czech Republic remained fairly stable in Q3 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 Czech Republic increased to 3.6% in August and remained at this level in September. 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)

The service sector employment expectations indicator improved slightly at the end of Q3 after a sharper dip in Q1 2023. However, the labour market may start to cool slightly.

### 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 Q3 2023 but high interest rates weigh on consumer spending and the outlook for the service sector.

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

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