

Prague Office Market



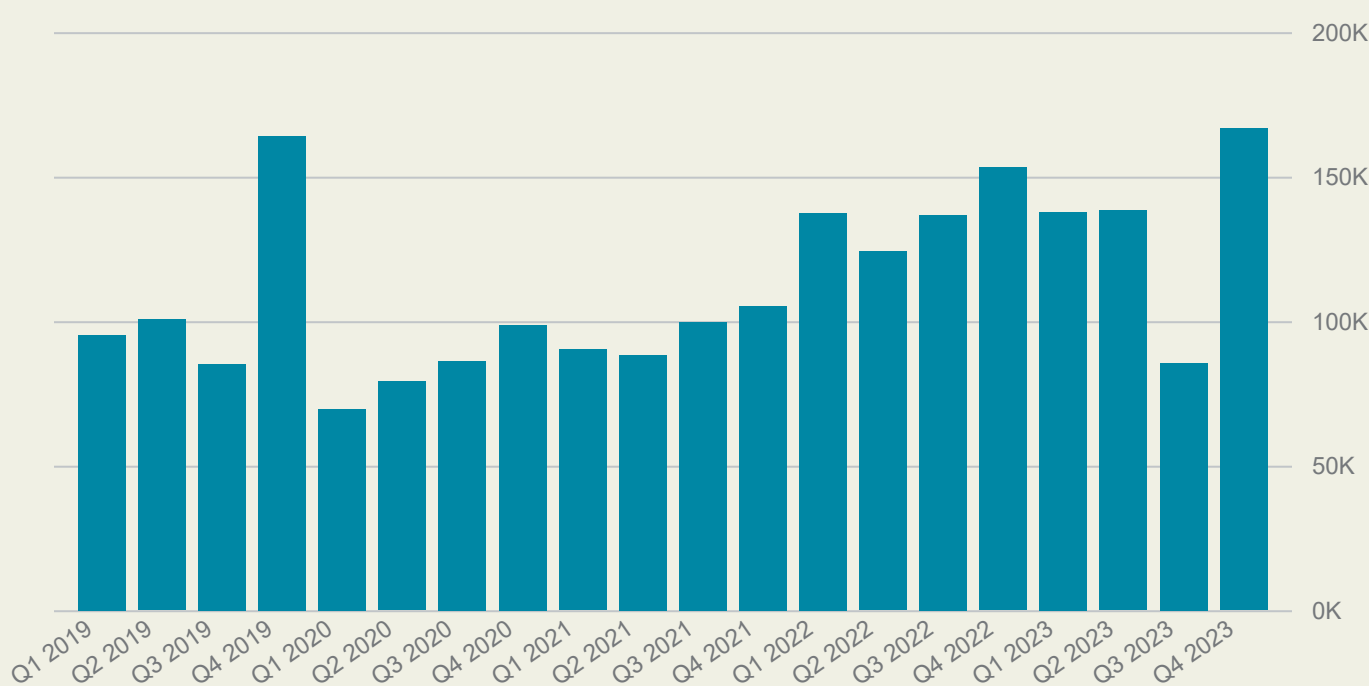
Q4 2023

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

166,700 sqm

Take up

€ 330 psqm

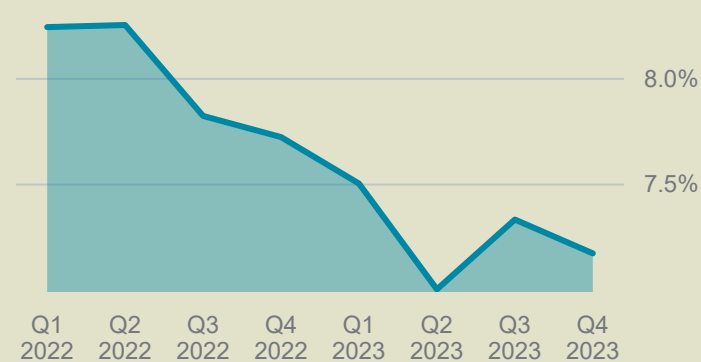
Prime Rent

7.2%

Vacancy Rate

Vacancy Rate

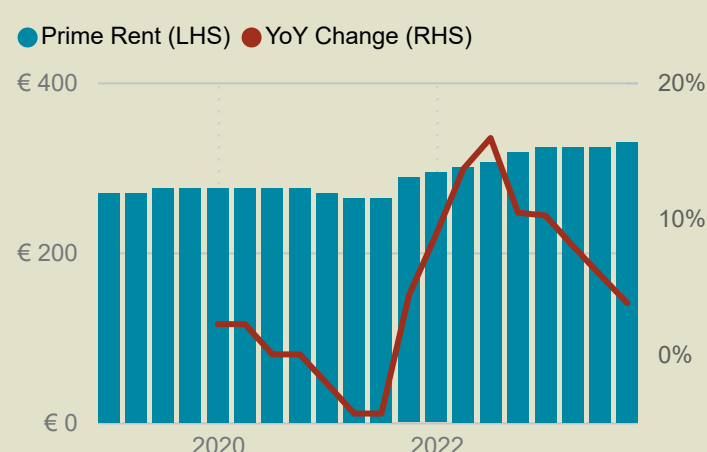
Measured in percentage terms



Source: Knight Frank Research

Prime Rent

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



Source: Knight Frank Research

OCCUPIER HEADLINES

In the fourth quarter of 2023, the Prague office market saw 166,700 sqm of gross take up, mainly a result of several renegotiations, renegotiations represented 60% of total leasing activity. This figure is almost double the volume seen in Q3 2023.

Strong leasing activity in Q4 has compressed the vacancy rate to 7.2%, down from 7.3% in Q3. The largest transactions in the last quarter of 2023 were the renegotiations of Avast Software in Enterprise Office Center (12,200 sqm) in Prague 4 and two renegotiations by MSD Czech Republic in Five (11,300 sqm) and Riverview (6,200 sqm), both located in Prague 5.

Prime rents increased in Q4 2023 after holding firm in the first three quarters of the year, recorded at €330 psqm per annum. This represents prime rental growth of 2% quarter-on-quarter, and 4% year-on-year.

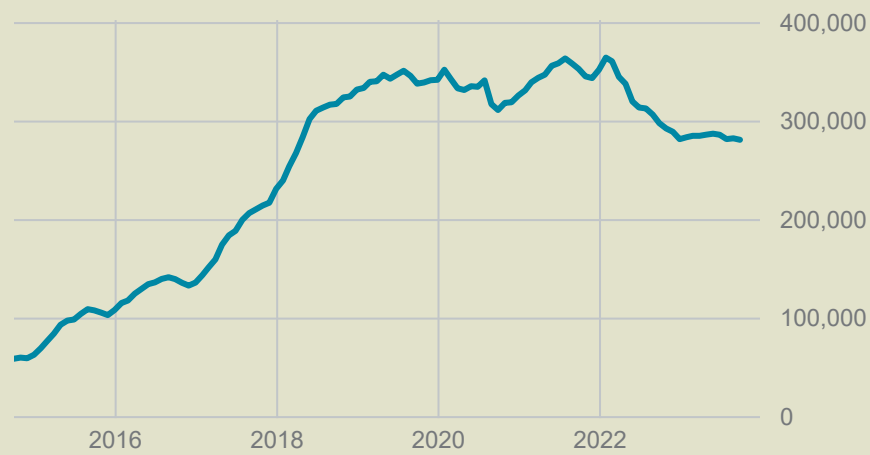
Low levels of construction completions in recent years are contributing to the upwards pressure on rents, limiting the available options for prospective occupiers seeking prime office space. 2022 saw only 75,000 sqm of new supply, and 2021 saw even less with 57,000 sqm. There were no projects delivered in Q4 2023, and a total of 98,000 sqm completed throughout the year, below the ten-year average of 124,000 sqm. This trend is not expected to reverse anytime soon, as there are barely 100,000 sqm of construction completions expected across 2024 and 2025.

These dynamics have resulted in a landlords' market favourability, which is anticipated to remain unchanged in 2024.

ECONOMIC INDICATORS

Job Vacancies, Unfilled

Czech Republic, Total Job Vacancies

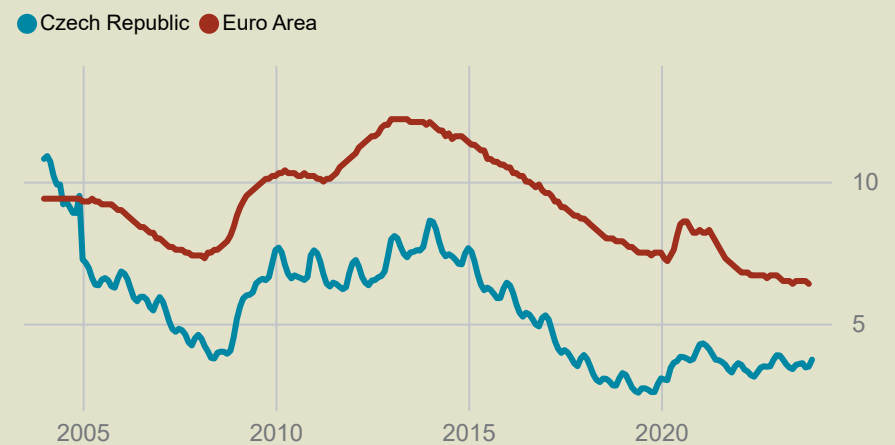


Source: OECD (Organisation for Economic Co-operation and Development)

The number of unfilled job vacancies in the Czech Republic remained fairly stable in Q4 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, %

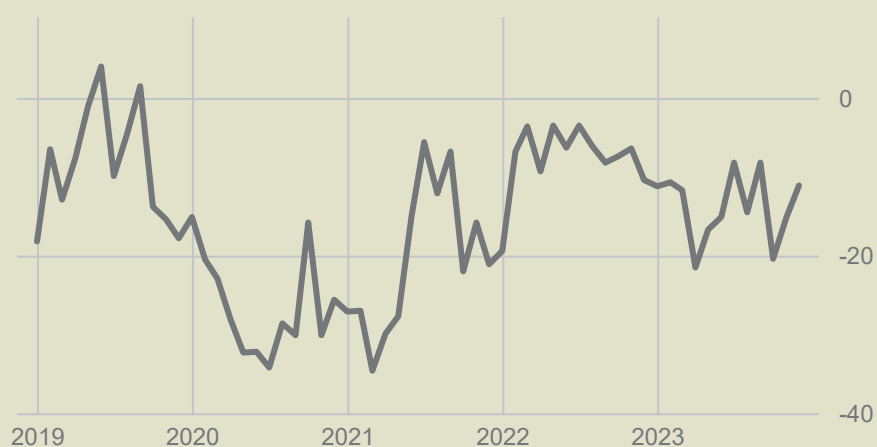


Source: Eurostat/ Czech Ministry of Labor & Social Affairs

The unemployment rate in Czech Republic increased to 3.7% in December. At these levels the unemployment rate is still well below the ten-year average of 4.8%.

Employment Expectations in the Service Sector in Czech Republic

Over the next 3 months, %

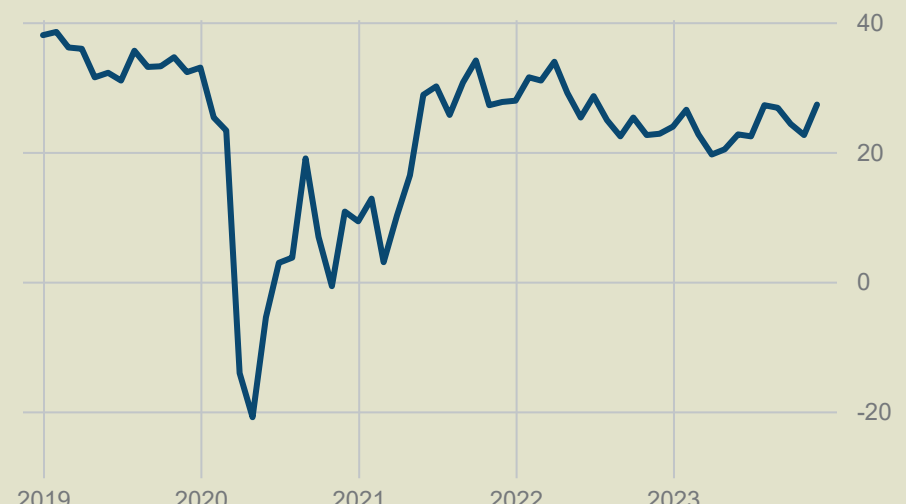


Source: European Commission (DG ECFIN)

The service sector employment expectations indicator improved throughout Q4 2023, but remains in negative territory. 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 Q4 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.

LOCAL RESEARCH CONTACT

Lenka Šindelářová
Head of Research & Consultancy
lenka.sindelarova@cz.knightfrank.com
+420 602 773 592

LOCAL OFFICE OCCUPIER CONTACT

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

LONDON CONTACT

James Bartolo
Head of Multi Market Tenant Rep, EMEA
james.bartolo@knightfrank.com
+44 20 7861 5113



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