Prague Office Market

Q1 2024

A regular quarterly update on the Prague office market looking at supply and demand patterns and analysing major occupier trends

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Prime headline rents are expected to increase further in central locations. Despite a drop in demand, vacancy rates rose only slightly.

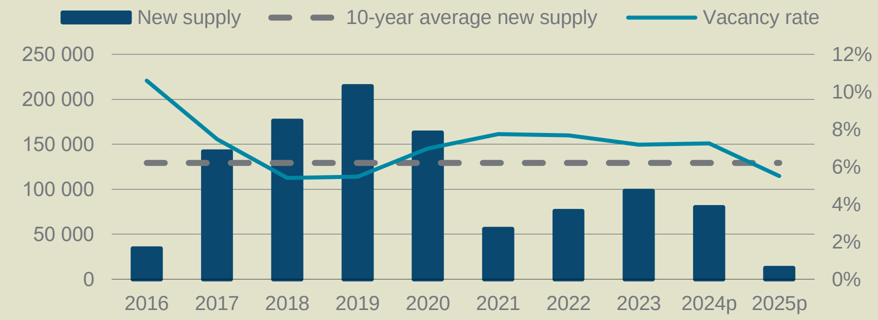
- We anticipate that vacancy rates will remain relatively stable throughout this year and will then decrease more significantly in 2025, when only less than 13,000 sq m of office space are expected for completion across two projects.

SUPPLY & VACANCY RATE

In the first quarter, one new office building was completed – Roztyly Plaza (21,700 sq m) in Prague 4. During the same period, one new development was launched, PernerKa (9,300 sq m) in Prague 8, the first new construction launch since Q2 2022. There are currently 71,300 sq m under construction, of that 82% should be completed this year. Thus, the annual new supply in 2024 is expected to total 80,300 sq m, significantly below the long-term average. Up to 47% of the space scheduled for completion in Q2-Q4 2024 has been already pre-leased.

The office vacancy rate in the first quarter of this year increased slightly by 30 basis points quarter-on-quarter to 7.47%; but remained stable on an annual basis. The total volume of vacant office space reached 292,000 sq m. The largest volume of vacant space was registered in Prague 4 (65,900 sq m) and Prague 5 (60,700 sq m). The highest vacancy rate was recorded in Prague 3 (19.8%) and in Prague 7 (13.2%), the lowest vacancy rate then in Prague 8 (3.0%) and in Prague 10 (4.2%).

New supply and vacancy rate
sq m, %



Source: Knight Frank Research, Prague Research Forum

Key Occupier Market Figures

Quarterly Gross Take-up & Quarterly Net Take-up

108,700 sq m
46,000 sq m

Prime Rent

28,50 EUR / sq m / month

Vacancy Rate

7.47 %

Under Construction

71,300 sq m

Occupiers are showing a preference for extending their existing lease agreements rather than relocating to new offices. Many companies are in waiting mode and and optimizing their current space and negotiating more flexibility into their lease contracts so that they can react faster to any market fluctuations. We still see some companies moving from outer city office hubs towards the centre and inner city, aiming to lure the workforce back to the offices with a more attractive location and new office space.

OCCUPIER FOCUS

Total gross take-up (including renegotiations and subleases) reached 108,700 sq m in the first quarter of 2024, down by 35% on the previous quarter and 19% down year-on-year.

Net take-up amounted to 46,000 sq m, down by 25% down compared to the previous quarter and 38% year-on-year.

Renegotiations accounted for a leading 57% of the total gross take-up.

Prague 1 had the highest share of new leasing activity at 31% mainly thanks to the relocation of Trinity Bank into Trinity Palace, followed by Prague 8 (25%) and Prague 4 (12%).

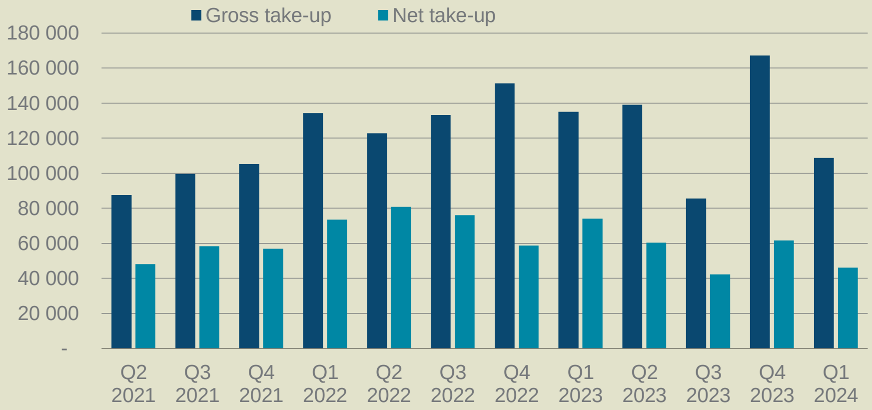
In Q1 2024 the finance sector had the highest share of net take-up (21%), followed by technology companies (12%). Taking into account renegotiations technology companies had the highest share in Q1 2024 (17%).

MAJOR DEALS

The largest transactions in the first quarter of 2024 included Trinity Bank taking 7,600 sq m at Trinity Palace in Prague 1—where it is also the owner—followed by a renegotiation and expansion by Grant Thornton for 5,000 sq m at Parkview in Prague 4, and a renegotiation by Mattoni 1873 for 3,800 sq m at myhive Palmovka 4 in Prague 8.

Gross and net take-up

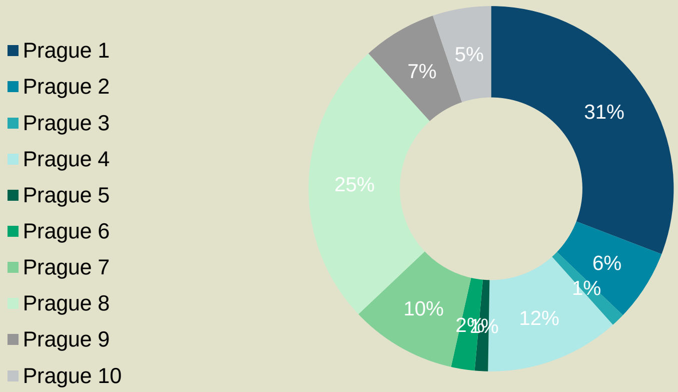
sq m



Source: Knight Frank Research, Prague Research Forum

Net take-up in Q1 2024

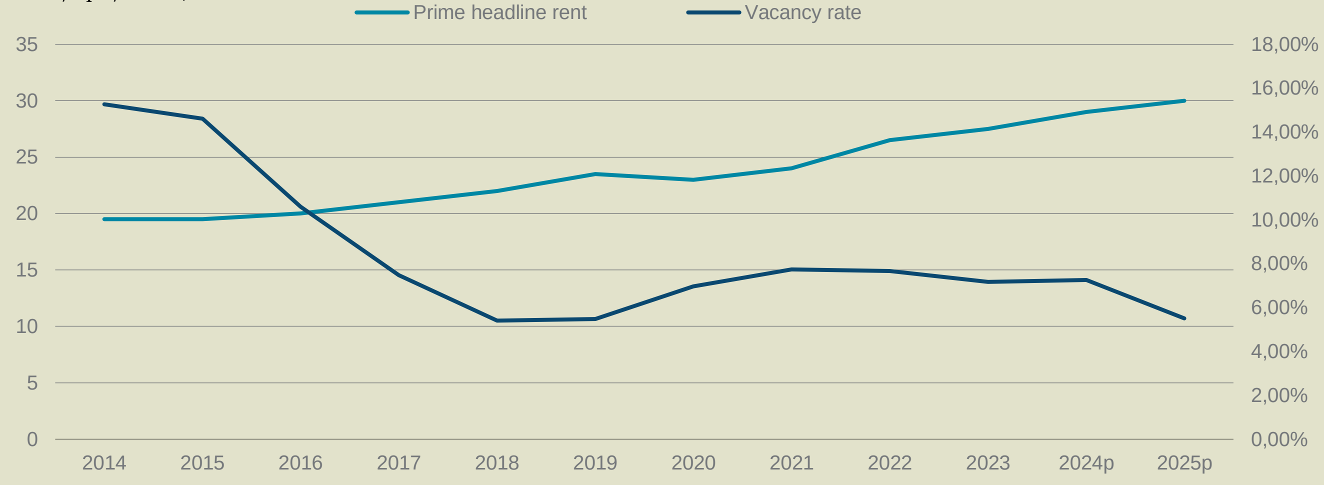
sq m



Source: Knight Frank Research, Prague Research Forum

▶ We expect that prime headline rents will continue to grow in central locations and in the inner city, considering the low level of construction and the persistent interest in central locations.

Prime headline rent and vacancy rate
EUR/sq m/month, %

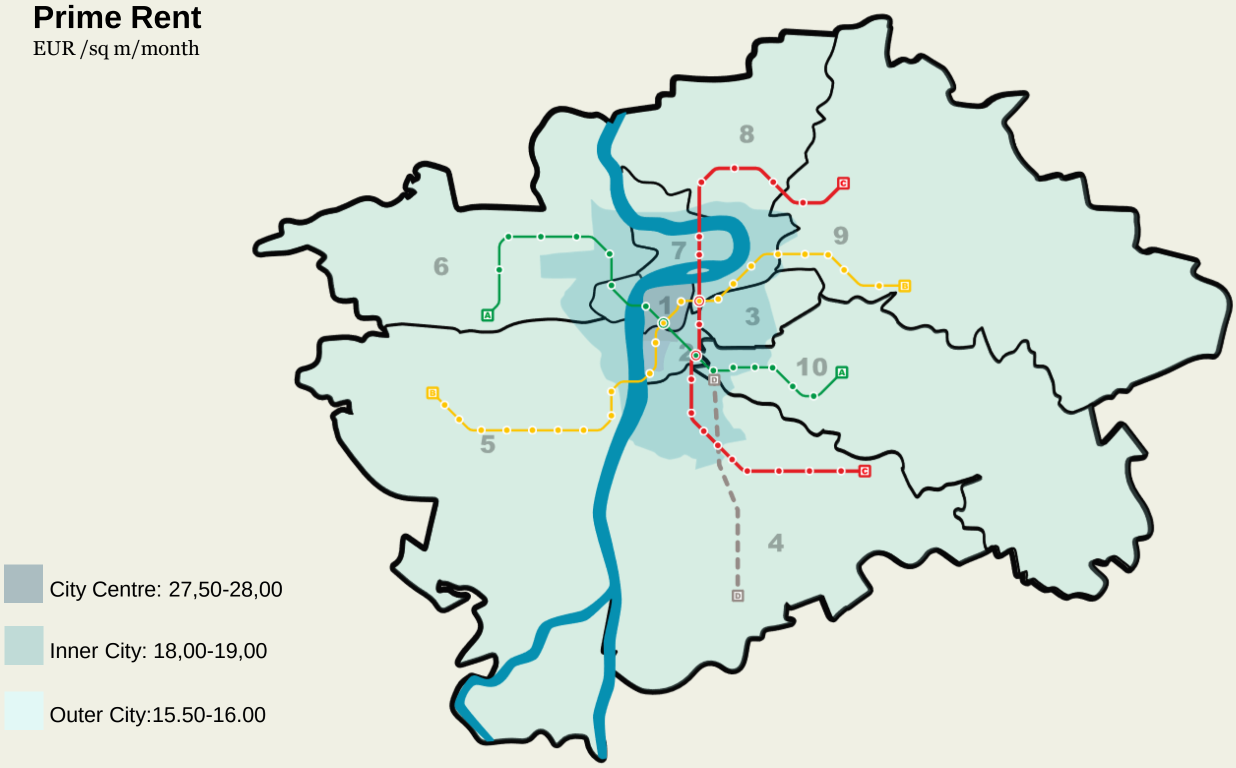


Source: Knight Frank Research, Prague Research Forum

PRIME RENT

Prime rents increased in Q1 2024 to €27.50-28.00 sq m/month. Nevertheless, we are recording trophy assets in the centre, which achieve rents significantly above the market level. Inner city prime headline rents increased to € 18.00-19.00 sq m/month and in outer city locations to €15.50-16.00 sq m/month.

Prime Rent
EUR /sq m/month



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 fewer 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. Total take-up includes renegotiations, lease extension and subleases, net take-up excludes these.

Vacancy rate: Ratio of physically and contractually vacant space in completed buildings on the total stock.

Sublease: Space offered for lease by a tenant who is contractually obliged to occupy the premises for a longer period than what they need.

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.

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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