

Real Estate Market Outlook 2026

December 2025

Annual real estate market outlook for the Czech Republic

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Sentiment in the investment market remains positive: capital is abundant and, after a long period, the supply of quality investment products has become broader. Prime yields are expected to remain relatively stable in the coming months.

- Investment activity in 2025 is heading toward one of the highest levels in history, with an expected volume of over €3.8 billion.

INVESTMENT MARKET

In 2025, the volume of real estate investments is expected to rank among the highest on record, likely exceeding €3.8 billion. This year, the highest share is anticipated to come from investments in retail and mixed-use properties, significantly supported by the transactions of Palladium, Atrium Flóra, and Myslbek. Office and logistics properties follow.










In the coming year, several exceptional transactions could also be completed, such as the announced sale of the Riverside Prague complex in Prague 8. Compared with this year's high volume, investment levels are expected to be lower in 2026, **with office investments leading**.

Czech capital has dominated the domestic market in recent years, and this is unlikely to change significantly next year. Assets in Czech real estate funds already exceed CZK 117 billion, and according to AKAT data, these funds recorded the fastest quarterly growth in the third quarter.

Prime yields are expected to remain largely stable in the coming months with potential for slight compression in prime yields for trophy assets on the Prague high street. The question remains how quickly interest rates will decline next year, with expectations leaning toward a more gradual pace.

Outlook

2025 Data Prime Yields: Outlook 2026

	Offices	5.50%	↔
	Shop. Centres	6.25%	↔
	Retail Parks	6.00%	↔
	High Streets	5.00%	➡
	Industrial	5.00%	↔
	Investment volume €bn.	3.8<	➡
	Prime office rents	€29.50 sq m/month	⬆
	Industrial rents	€7.00-7.50 sq m/month	↔
	Prime high street retail rents	€225 sq m/month	↔

OFFICE MARKET

This year, Prague will see the lowest new supply ever recorded, and next year will not be much different, with just over 30,000 sq m expected. **Due to the minimal level of development, the decline in office vacancy in the capital will continue and rental levels will remain under upward pressure.** Growth in prime rents can be expected primarily in the city centre and inner city, where levels have already exceeded €20, and new projects are now asking between €23 and €26 sq m/month.

Occupier demand remains stable, but due to the shortage of available space, occupiers are now beginning negotiations more than two years ahead of a planned relocation. Higher fit-out and relocation costs are increasing the share of renegotiations. Growing interest in inner-city locations has pushed their share of overall demand up by 4 percentage points over the past five years.

Brno, on the other hand, has more than 100,000 sq m of new offices under construction, which is reflected in elevated vacancy. After rising this year, prime headline rents should stabilise next year.

INDUSTRIAL & LOGISTICS

Demand increased significantly year-on-year in the last quarter, and we expect it to remain solid thanks to a slight decrease in rents. Vacancy will remain stable. Developers are likely to delay completions until occupiers are secured; however, in key locations, particularly around Prague and along major motorway corridors, speculative development without pre-lets can still be expected next year.

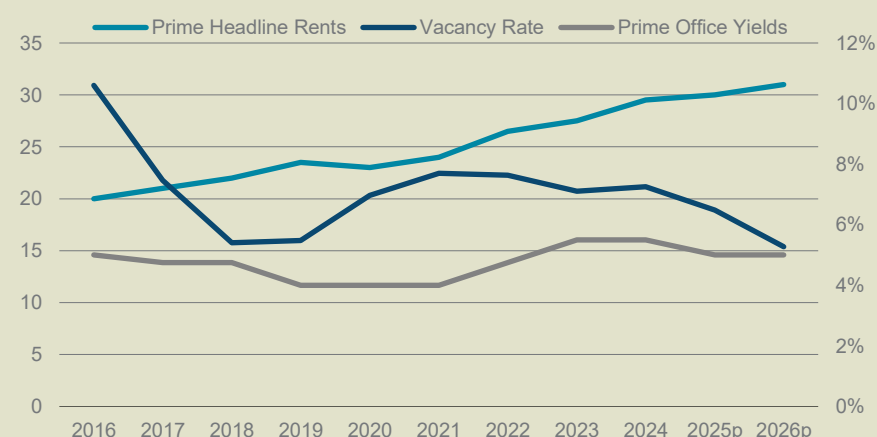
Average rents may continue to edge down over the coming year, especially in regions with higher availability of space such as the Ostrava area or the Plzeň region. In some locations, increased incentives for occupiers are also becoming evident. From a sectoral perspective, we expect demand next year to be slightly stronger for storage and e-commerce space compared with manufacturing.

► *“In the coming year, we expect prime office rents achieved in central locations and the ring around Prague’s city centre to increase.*

By contrast, rents for modern warehouse space are expected to remain stable or decline slightly in locations with higher supply.”

Prime Headline Rent and Vacancy Rate

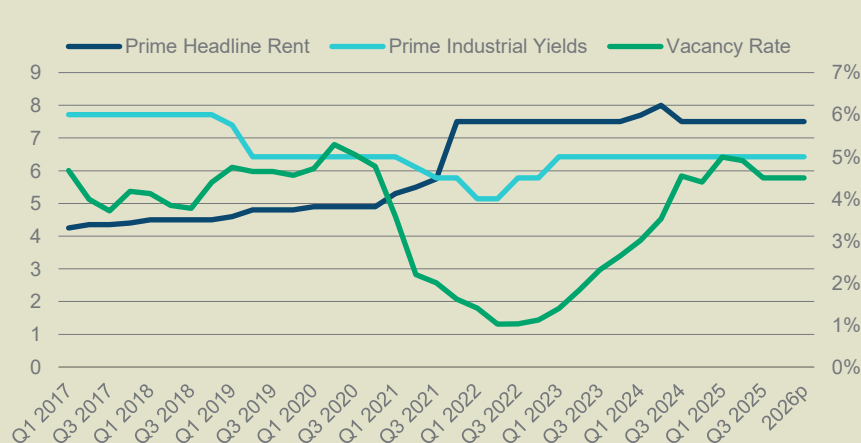
€/sq m/month, %



Source: Knight Frank Research, Prague Research Forum

Logistics and Industrial Real Estate Market

€/sq m/month, %



Source: Knight Frank Research

- *“In the coming year, continued growth in apartment prices can be expected, driven by the imbalance between limited supply and strong demand, as well as rising construction costs.*

As a result, rental housing costs are also set to increase due to the deteriorating affordability of owner-occupied housing.”

RESIDENTIAL MARKET

According to Flatzone data, apartment prices in Prague increased in the third quarter by just under 8% in asking prices and by almost 11% in sales prices. We expect growth to continue next year at a pace of roughly **5–10%**, as current supply is far from covering elevated demand.

The increase in prices is driven not only by strong demand, but also by ongoing growth in construction costs and a shortage of labour in the construction sector. Housing affordability is likely to continue worsening, particularly due to the very low number of building permits issued. From January to September, only 195 new permits have been issued for apartment buildings in Prague.

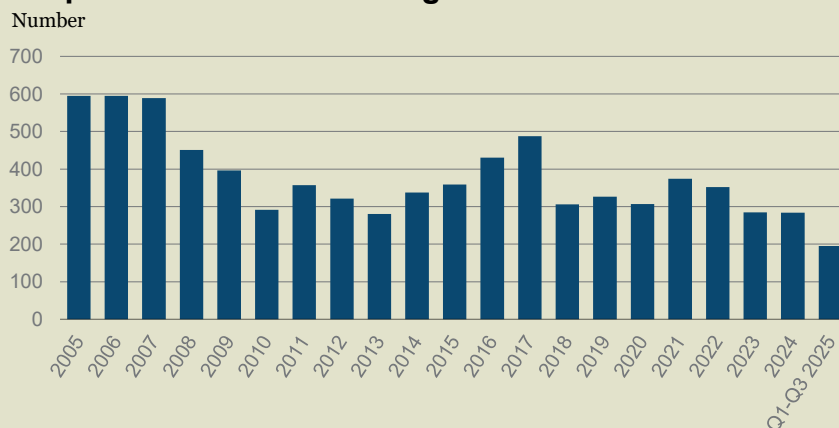
Sales of new apartments could approach the record levels seen in 2021 this year and reach 7,500–8,000 units sold.

Strong demand is expected to persist next year as well.

Just as prices on the primary market are rising, secondary-market housing is also becoming more expensive and rents are increasing significantly. We are seeing a marked rise in the institutional rental segment, and we anticipate that **rents will continue to grow next year.** The expansion of rental housing will continue not only due to the worsening affordability of owner-occupied housing.

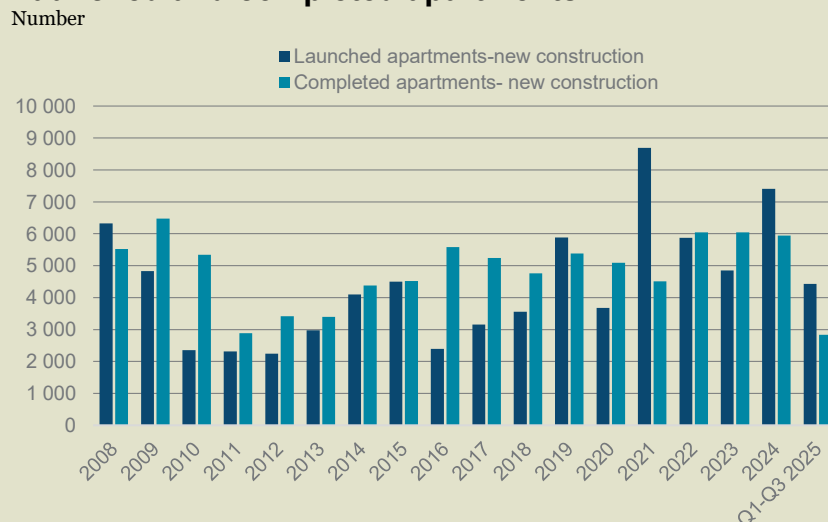
According to Eurostat, owner-occupied housing accounts for roughly 75% of the housing market in the Czech Republic, while rental housing represents 25%. The share of rental housing has therefore continued to rise, two years ago, owner-occupied housing still represented 78%.

Building permits, new construction of apartment houses in Prague



Source: Knight Frank Research, CSO

Launched and completed apartments



Source: Knight Frank Research, CSO



If you have any questions about our research or you would like some property advice, we would love to hear from you.



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