

Prague Office Market

Q4 2023

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

knightfrank.com/research

Prime city centre rents are growing, vacancy rates slightly decreasing and occupational activity is driven by renegotiations.

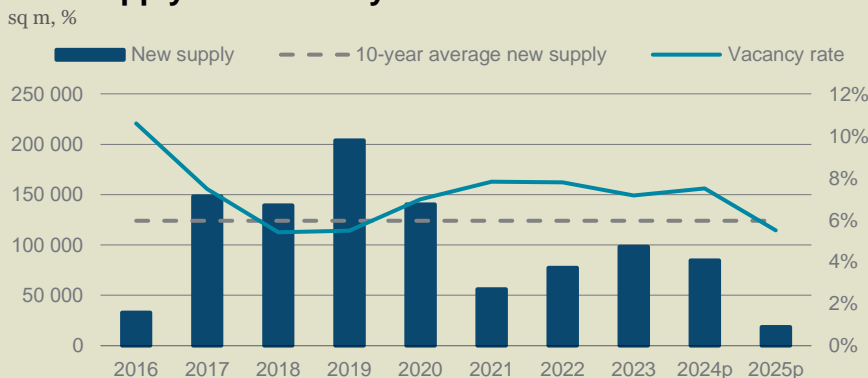
- Vacancy rates decreased marginally on the back of limited new supply. We anticipate a stagnation or a slight decrease of vacancy rates this year and a more significant drop in 2025.

SUPPLY & VACANCY RATE

In Q4 2023, no new projects were completed nor initiated in the Prague office market, the stock totals in excess of 3.9 million sq m. New supply in 2023 reached 98,400 sq m, in 2024 84,000 sq m should be completed followed by a mere 16,100 sq m in 2025.

In Q4 2023 the vacancy rate decreased slightly to 7.2% down from 7.3% in Q3 2023 and dropped by half a percentage point in annual comparison. The highest vacancy rate is recorded in Prague 3 (18.9%), followed by Prague 7 (13.7%). Prague 8 shows lowest vacancy rate (2.9%), followed by Prague 4 (5.5%).

New supply and vacancy rate



Source: Knight Frank Research, Prague Research Forum

Key Occupier Market Figures

Quarterly Gross Take-up & Annual Gross Take-up



166,700 sq m
525,300 sq m

Prime Rent



27,50 EUR / sq m / month

Vacancy Rate



7.17 %

Under Construction



84,000 sq m

- ▶ After a more quiet third quarter we have seen an increase in overall leasing activity in the last three months of the year mainly resulting from several larger renegotiations. A significant expansion in leasing activity in 2024 will be constraint by limited availability. Around 44% of space under construction is pre-let.

OCCUPIER FOCUS

In Q4 2023 gross take-up totalled 166,700 sq m, almost double the level from Q3 2023 and up by 10% y-o-y. Quarterly net take-up amounted to 62,600 sq m, up by 49% q-o-q and 7% y-o-y.

Annual gross take-up in 2023 decreased by 3 % compared to 2022 to 525,300 sq m, while net take-up recorded a drop of 17% y-o-y to 238,900 sq m.

The highest net take-up in 2023 was recorded in Prague 5 (21%), followed by Prague 8 (19%) and Prague 4 (18%). In the last quarter of the year Prague 8 had the highest share in new leasing activity with 23%, followed by Prague 4 (18%) and Prague 7 (16%).

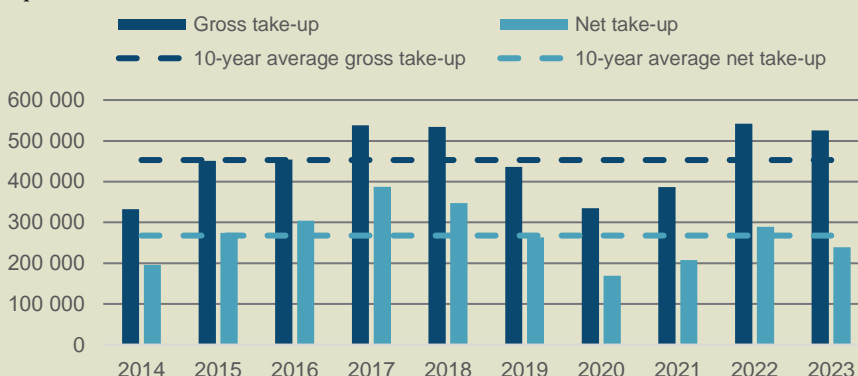
Technology companies were the main driver of new demand this year (18% share on net take-up), followed by the Pharmaceutical/Medical sector (10% share).

Renegotiations had a 53% share on the annual take-up and even 60% in Q4 quarterly take-up.

MAJOR DEALS

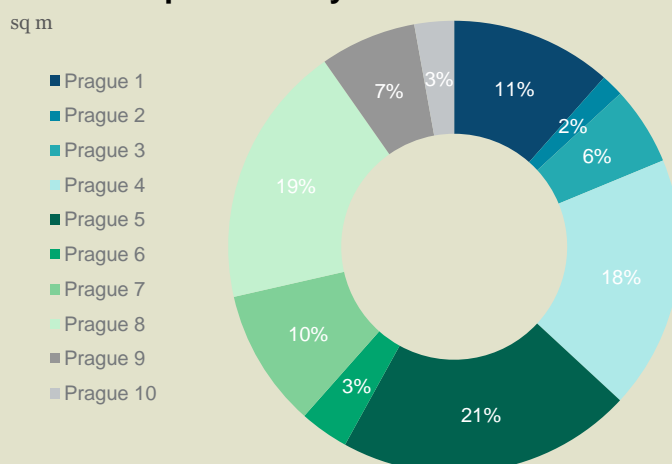
The largest transactions in Q4 2023 were the renegotiations of Avast Software in Enterprise Office Center (12,200 sq m) in Prague 4 and two renegotiations by MSD Czech Republic in Five (11,300 sq m) and Riverview (6,200 sq m), both in Prague 5.

Prague gross and net take-up
sq m



Source: Knight Frank Research, Prague Research Forum

Net take-up in 2023 by district
sq m



Source: Knight Frank Research, Prague Research Forum,

- We expect continued upward rental pressure in central locations. This will be further exacerbated by limited new supply in the coming two years. Lack of new development will further constraint options for occupiers in finding suitable new premises.

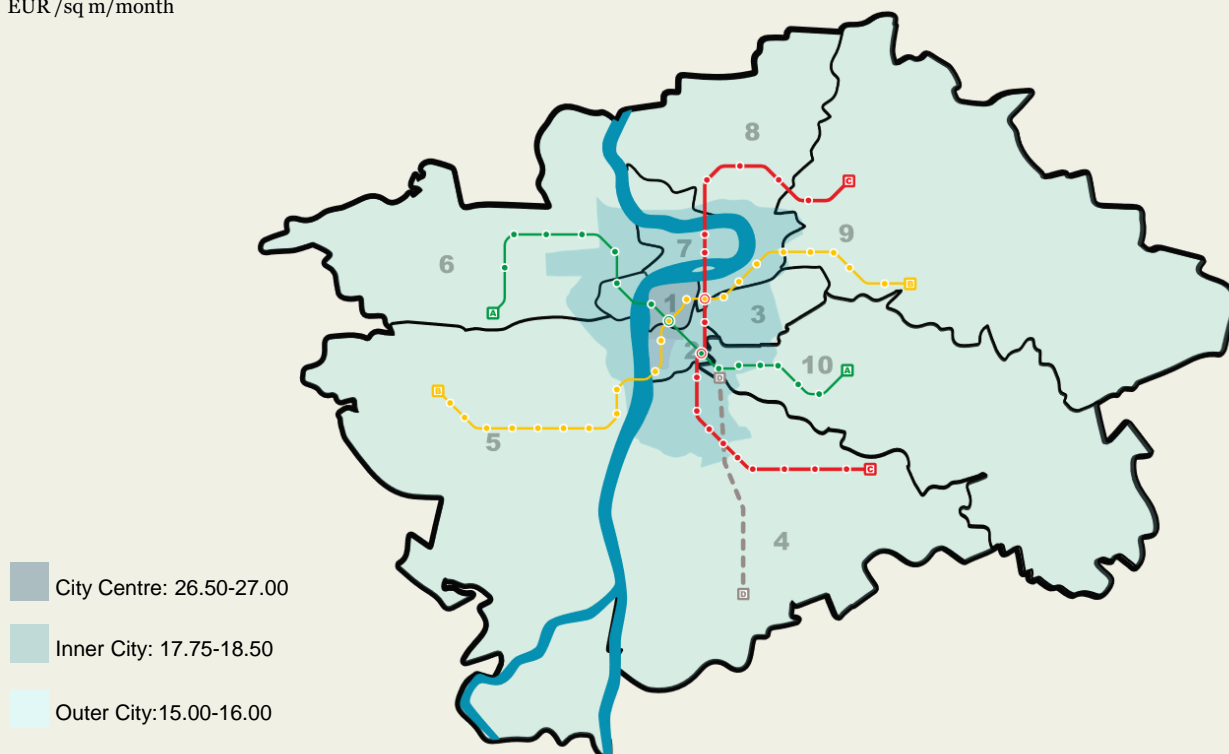
ESG compliance is increasingly demanded mainly by corporate occupiers and this is likely to strengthen in the future even more.

PRIME RENT

Prime rents increased slightly in Q4 2023 to €27.00-27.50 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 remained stable at € 17.75-18.50 sq m/month and in outer city locations at €15.00-16.00 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.



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



Office Agency
Richard Curran | Partner
+420 602 225 765
Richard.curran@cz.knightfrank.com



Office Agency
Jan Babka | Senior Consultant
+420 702 276 335
Jan.babka@cz.knightfrank.com