

Prague Office Market

Q4 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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- Due to record low new supply in the next two years, we expect a further gradual decline in vacancy rates. Rents in central locations should continue to grow slightly. In 2025, we also expect higher take-up, thanks to several larger transactions that are currently being negotiated.

SUPPLY & VACANCY RATE

In Q4 2024, only one office project was completed, namely the reconstruction of the 100 Yards building in Prague 1, with a total of 3,300 sq m of office space. The annual new supply in 2024 reached 72,800 sq m. In 2025, the completion of 24,600 sq m is expected, which is a historical low. A total of 164,300 sq m of office space is currently under construction.

The office vacancy rate in the Q4 2024 decreased by 66 basis points compared to the previous quarter, reaching 7.3%. Year-on-year, this represents an increase of 24 basis points.

The total volume of vacant modern office space in Prague decreased to 290,700 sq m. The lowest vacancy rates were recorded in Prague 2 (2.6%) and Prague 8 (3.6%). Conversely, the highest vacancy rates were in Prague 3 (19%) and Prague 10 (12%).

Key Occupier Market Figures

Quarterly Gross & Net Take-up
 Annual Gross & Net Take-up

Q4 2024: **185,100 sq m**
92,500 sq m



2024: **636,700 sq m**
313,800 sq m

Prime Rent



€29.50 sq m / month

Vacancy Rate



7.3 %

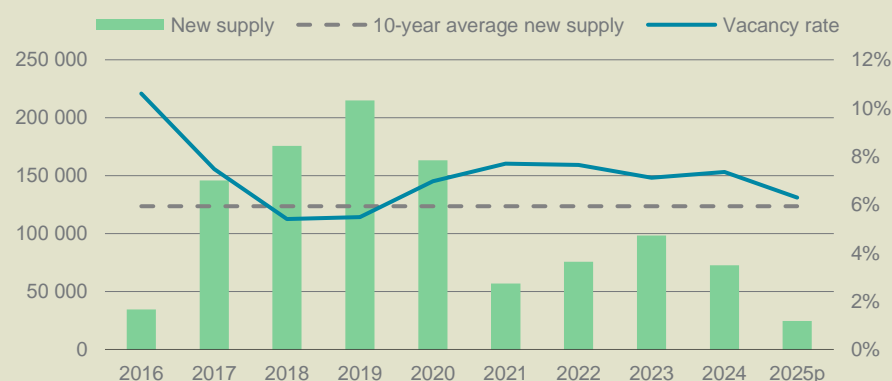
Under Construction



164,300 sq m

New supply and vacancy rate

sq m, %



Source: Knight Frank Research, Prague Research Forumh

DEMAND

In Q4 2024, the total gross take-up (including renegotiations of existing contracts and subleases) reached 185,100 sq m, representing an 11% year-on-year increase and a 39% quarter-on-quarter increase. Quarterly net take-up (excluding renegotiations and subleases) reached 92,500 sq m, which is 91% more than in the previous quarter and 50% more than in the Q4 2023.

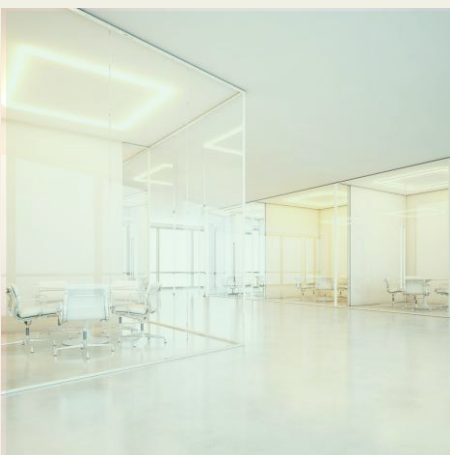
In the fourth quarter, the highest net take-up was recorded in Prague 7 (25%), mainly due to the lease of the Ministry of Defense in the Tokovo building (14,500 sq m), followed by Prague 1 (20%).

In the 4th quarter, technology companies led in gross take-up (17%), thanks to several large renegotiations.

In 2024, gross take-up totalled 636,700 sq m. The result from 2022 was exceeded by 18%, and the total volume from the previous year was surpassed by 21%. New leases and expansions accounted for 33% of the annual gross take-up, pre-leases for 16%, and subleases for 2%. The share of renegotiations reached 49%.

Net take-up in 2024 was highest in Prague 5 (35%), mainly due to the Česká spořitelna campus, which the bank will acquire into ownership upon completion. Prague 1 followed with a total 18% share of new leases, while Prague 4 and Prague 8 each accounted for 11%.

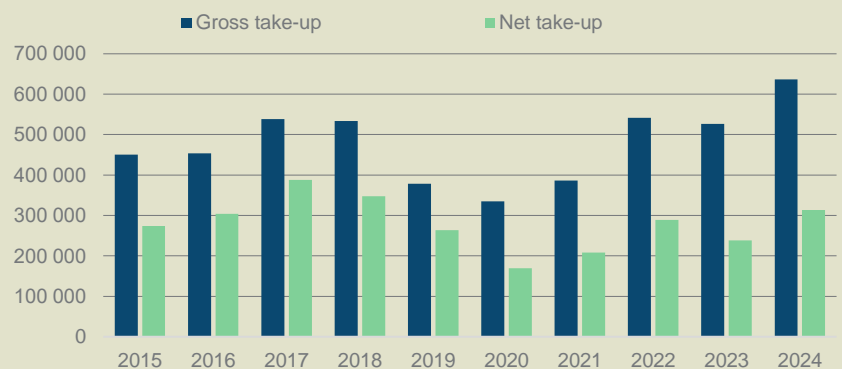
Financial companies (37%) and the public sector (11%) had the highest representation in new leases, pre-leases, and expansions in 2024.



636,000 sq m

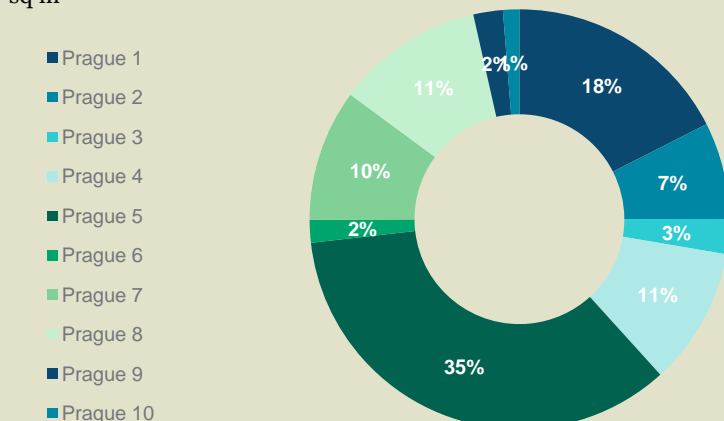
Total occupational activity in 2024 was record-breaking. Even after deducting the exceptional transaction of the Česká spořitelna campus from the second quarter, demand remained historically the highest on the record.

Take-up sq m



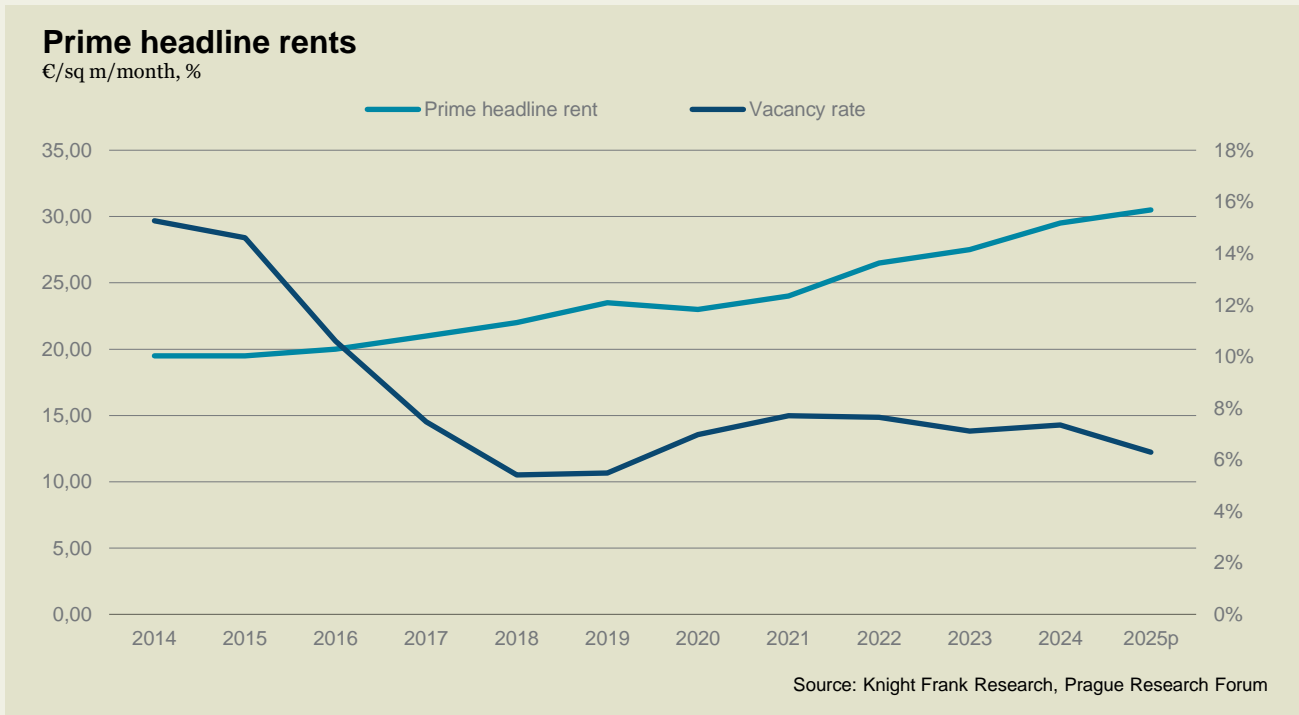
Source: Knight Frank Research, Prague Research Forum

Net take-up by district in 2024 sq m



Source: Knight Frank Research, Prague Research Forum

- The prime headline rents will continue to rise next year, due to excess demand for premium office spaces in top locations in the city centre and Karlín.

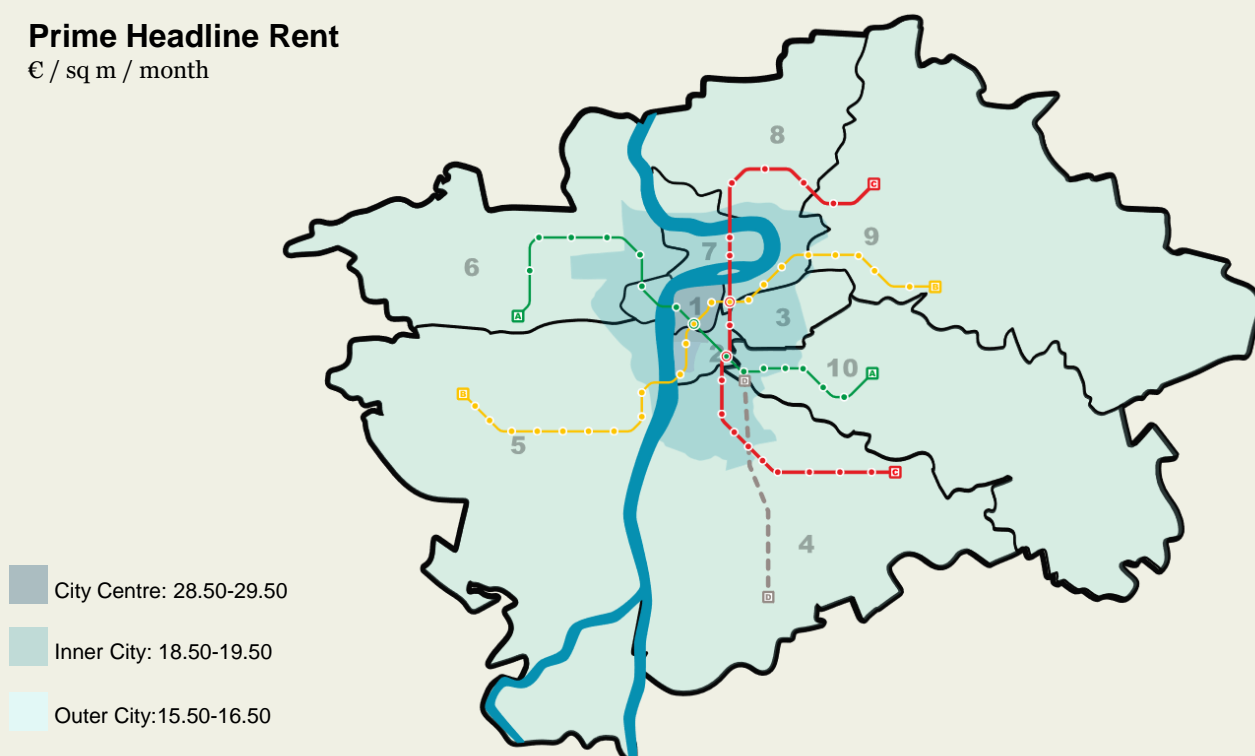


PRIME HEADLINE RENT

Prime headline rents increased slightly in Q4 2024 to €28.50-29.50 per sq m / month. We continue to record rents exceeding €30.00 per sq m in trophy properties in the city centre. In the inner city, the prime headline rent reach €18.50-19.50 per sq m / month, while in the peripheral areas of the city €15.50-16.50 per sq m / month.

Prime Headline Rent

€/ sq m / month



Focus

Occupier trends



OCCUPIER DEMAND TRENDS

Last year's demand was very strong, as confirmed by several significant new leases and renegotiations.

Tenants perceive offices as a crucial **tool for attracting and retaining employees**, a trend further emphasised by the shift to a hybrid work model.

We are seeing a significant increase in tenant requirements related to ESG, whether it is green building certification, energy performance certificates (EPC), or a growing interest in **'green fit-outs.'**

The importance of so-called **'green leases,'** which include commitments on the tenant's side, is likely to increase. Green leases require the sharing of data on water consumption, energy, renewable energy sources (RES), waste and its recycling. Both parties, the tenant and the landlord, commit to sustainable management and operation of the leased property, supporting its sustainable use and reducing CO2 emissions.

Since the COVID-19 pandemic, the importance of a **healthy work environment** has increased in tenant's priorities, including air-quality and acoustic comfort.

However, these trends are at odds with the **ongoing strong pressure on pricing and costs**, which continues to persist.

Over the past 5 years **fit-out costs have risen significantly to apx. €1,200 per sq m**, this creates extra pressure on occupiers, on top of the rising rental levels, and is also one of the reasons for the high share of renegotiations compared to relocations and new leases.

OFFICE FIT-OUT TRENDS

The effort to retain and attract employees back to the office is reflected in the evolving requirements for office fit-out and amenities. As a counterbalance to the reduction in office space and the number of workstations due to the hybrid work model with employee rotation, alternative spaces are being added instead. These include rooms for collaboration, spaces for concentration (quiet rooms, focus rooms), as well as areas for relaxation and entertainment.

E- ENVIRONMENTAL FEATURES IN OFFICE FIT-OUT:

- Intelligent LED lighting
- Water-saving faucets (reducing water consumption, use of rainwater)
- Green fit-out (sustainable materials, recycling during fit-out renovations)
- Office greenery
- Waste sorting
- Renewable energy sources in the building

S - SOCIAL FEATURES IN OFFICE FIT-OUTS:

- Focus rooms, quiet rooms
- Flexible space arrangements to adapt to changing needs (modular furniture, movable partitions)
- Wellbeing (WELL certification, sleep rooms, therapeutic rooms, joga or sports rooms, sauna)
- Air quality monitoring, ventilation based on occupancy and CO2, high demands on acoustic comfort
- Ergonomic furniture, lockers for desk sharing
- Good quality AV systems for hybrid cooperation
- Art installations in the offices, pet-friendly offices

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.

If you have any question about our research or would like to acquire more information or would seek any real estate advice, we would love to hear from you.



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