

7.26%
Vacancy Rate

YoY Chg. 12-Mo. Forecast



€ 28.50
Prime Rent, sqm/month



5.25%
Prime Yield



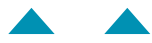
(Overall, All Property Classes)

ECONOMIC INDICATORS Q2 2023

360K

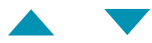
Prague office-based employment

YoY Chg. 12-Mo. Forecast



2.0%

Prague Unemployment Rate



2.7%

Czech Republic Unemployment Rate



Source: Moody's Analytics

ECONOMY: Despite a period of economic slowdown, the outlook remains positive

Czechia's economy has experienced three consecutive quarters of mild contraction since H2 2022. In Q1 2023, there was a year-on-year decrease in GDP, the first since early 2021. Such economic decline was mainly driven by a significant drop in private consumption and a reduction in inventories, partially offset by higher government consumption and net exports. However, Moody's Analytics anticipates that the decline in household consumption may have reached its lowest point in Q1 2023, and there are indications of improving disposable income as inflation decreases. Moreover, the inflation rate has been gradually moderating, and the labour market has remained relatively resilient with a well-educated and growing talent pool.

Moody's Analytics predicts that Prague's economy will outperform other Central European capital cities thanks to its strategic location, skilled workforce, and favourable business opportunities. Despite a significant slowdown in hiring during the year, it is unlikely that office-using industries will experience substantial layoffs and payroll reductions.

SUPPLY AND DEMAND: Reduced vacancy amidst no new supply in Q2, renegotiations dominate again

In Q1 2023, new supply reached around 38,000 sq m, marking a 45% increase compared to the previous year's Q1 and surpassing the 5-year average. However, Q2 saw no new delivery in the sector, resulting in a 22% decrease in new supply for H1 2023 compared to the corresponding period in the previous year. Despite no new office projects breaking ground in the past 12 months, Prague has almost 143,600 sq m under construction, with about 52% already pre-leased. Scheduled for completion by the end of 2023 are 66,800 sq m of offices across seven buildings.

In Q2 2023, gross office take-up reached around 149,000 sq m, with 53% consisting of lease renegotiations. The record-high (since Q2 2020) quarterly net absorption of 53,200 sq m from Q1 2023 was complemented by an additional 13,600 sq m in Q2. Primary vacancy further softened by 30 bp over the past quarter, settling at 7.3%.

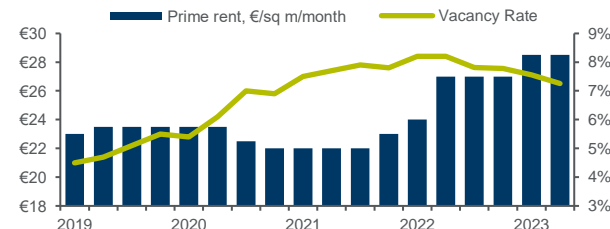
PRICING: Prime office rent in Q2 2023 remained stable, hovering around its peak level

Prime office rent experienced a substantial 24% increase from the beginning of 2022 until Q1 2023, largely driven by the construction of prime office schemes in central Prague. In Q2 2023, prime rent remained stable at the highest level among the CEE countries. Moving forward, significant increases in total occupancy costs are not anticipated in the near future.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & PRIMER RENT



MARKET STATISTICS

SUBMARKET	STOCK (SQ M)	AVAILABILITY (SQ M)	VACANCY RATE	CURRENT QTR TAKE-UP (SQ M)	YTD TAKE-UP (SQ M)	YTD COMPLETIONS (SQ M)	UNDER CNSTR (SQ M)	PRIME RENT (€/SQ M/MONTH)
Prague 1	535,800	44,200	8.3%	20,700	27,800	0	37,200	€ 28.50
Prague 2	130,600	8,700	6.7%	1,900	7,200	0	0	€ 23.00
Prague 3	122,200	24,900	20.4%	3,900	15,500	0	0	€ 17.00
Prague 4	969,200	53,800	5.6%	61,100	83,800	0	21,700	€ 18.00
Prague 5	647,000	50,700	7.8%	23,900	50,300	0	27,300	€ 17.80
Prague 6	217,300	12,900	5.9%	6,100	11,900	0	0	€ 16.50
Prague 7	275,700	27,800	10.1%	5,600	20,900	30,900	0	€ 16.00
Prague 8	631,500	24,400	3.9%	20,500	50,000	7,100	17,400	€ 19.00
Prague 9	170,600	24,500	14.4%	2,500	11,000	0	11,100	€ 15.00
Prague 10	153,400	7,700	5.0%	2,600	6,400	0	28,900	€ 16.00
PRAGUE TOTALS	3,853,200	279,600	7.3%	148,800	284,700	38,000	143,600	€ 28.50

KEY LEASE TRANSACTIONS Q2 2023

PROPERTY	SUBMARKET	TENANT	SIZE (SQ M)	TYPE
The Park - building 5	Prague 4	DHL Information Services	18,000	Renegotiation
Brumlovka Delta	Prague 4	Microsoft	16,100	Renegotiation
Zlatý Anděl	Prague 5	confidential	6,600	Renegotiation
Florentinum	Prague 1	Dr.Max	6,200	Renegotiation & expansion
Enterprise Office Center	Prague 4	Sandoz	5,700	New occupation
The Park - building 2	Prague 4	IBM	4,000	Renegotiation

KEY CONSTRUCTION COMPLETIONS 2023

PROPERTY	SUBMARKET	MAJOR TENANT	SIZE (SQ M)	OWNER / DEVELOPER
Port7 – Edinburgh	Prague 7	Scott.Weber Worspace	23,900	Skanska
Red Court	Prague 8	Czechoslovak Group	7,100	BlackBird Real Estate/ J&T Real Estate
Port7 – Alexandria	Prague 7	Direct Pojišťovna	4,200	Skanska
Port7 – Dover	Prague 7	MANTA	2,800	Skanska

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