

**8.4%**

Vacancy Rate

YoY Chg.



12-Mo. Forecast



**€24.00**

Prime Rent, Sq m/month



**4.25%**

Prime Yield



(Overall, All Property Classes)

## ECONOMIC INDICATORS Q1 2022

**332K**

Prague office-based employment

YoY Chg.



12-Mo. Forecast



**2.3%**

Prague Unemployment Rate



**2.4%**

Czech Republic Unemployment Rate



Source: Moody's Analytics

## ECONOMY: The Czech economy is expected to slow to about a half due to the war in Ukraine

According to the latest IMF outlook, the Czech economy will slow to 2.3% after the previous year's growth of 3.3%. The annual inflation should reach 9% in 2022, while it should fall again in 2023 to an estimated 2.3%. Russia's invasion of Ukraine is being felt throughout the region: in addition to surging energy prices, the Czech economy will be hurt by renewed supply shortages in manufacturing, loss of access to Russian markets, currency depreciation, and the refugee crisis. The Czech National Bank continues to intervene in the FX market but sell-off pressures are likely to continue despite the rate differential to the eurozone. About 350,000 Ukrainian refugees, out of the estimated 5.7 million that fled the home country, officially registered in the Czech Republic as of the beginning of May, primarily women and children. The refugees can boost the Czech consumption and should manage to integrate well; however, there will be some fiscal cost.

## SUPPLY AND DEMAND: Despite healthy take-up, the vacancy rate increased slightly in Q1 2022

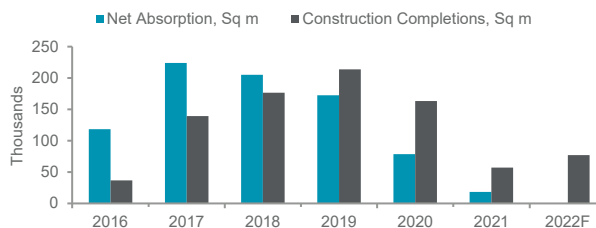
The new office supply in 2022 is expected to exceed the relatively low amount of the new office space completed in the previous year. However, the total annual deliveries will remain under the levels reached in 2017–2020. 20 office and mixed-use buildings are currently under construction, including some of the larger-scale long-awaited projects. Five office reconstructions are ongoing in the Prague city centre.

Leasing activity exceeded the five-year quarterly average, as the gross take-up increased by 29% q/q and 44% y/y in the first quarter of 2022. However, limited absorption of the newly supplied office space led to an increase in the vacancy rate in Prague. The trend varied in the individual Prague districts, with locations in Prague 1, 5, 7 and 8 recording a significant drop in the vacancy rate.

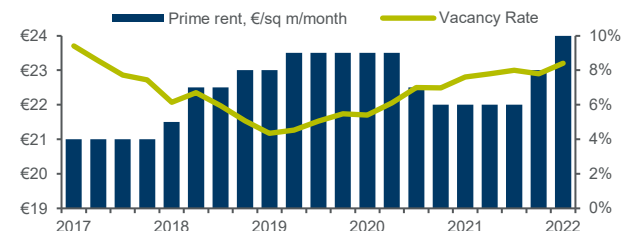
## PRICING: Rents increase in the city centre and some outer city locations driven by new projects

We have seen a slight rental increase since 2020 on the new projects in the most popular locations. But the further and perceptible increase came during 2021. The main reason was the construction cost increase that requested the developer's reaction to generate profit on new project construction. The landlords of existing schemes are catching up quickly on this trend, and we see a slight rental increase in all popular office locations.

## SPACE DEMAND / DELIVERIES



## OVERALL VACANCY & PRIME 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             | 522,700          | 35,700              | 6.8%         | 16,300                     | 16,300             | 0                      | 46,200             | 24.00                     |
| Prague 2             | 129,000          | 11,200              | 8.7%         | 2,900                      | 15,449             | 0                      | 0                  | 18.00                     |
| Prague 3             | 123,500          | 32,800              | 26.6%        | 3,000                      | 6,341              | 0                      | 0                  | 16.50                     |
| Prague 4             | 965,000          | 76,100              | 7.9%         | 25,000                     | 85,782             | 0                      | 21,700             | 17.50                     |
| Prague 5             | 631,300          | 46,300              | 7.3%         | 34,000                     | 67,262             | 0                      | 43,000             | 16.10                     |
| Prague 6             | 217,300          | 22,100              | 10.2%        | 3,600                      | 26,725             | 0                      | 0                  | 16.00                     |
| Prague 7             | 244,800          | 9,500               | 3.9%         | 6,300                      | 39,681             | 0                      | 30,100             | 15.50                     |
| Prague 8             | 599,900          | 35,600              | 5.9%         | 37,900                     | 71,297             | 0                      | 38,900             | 16.50                     |
| Prague 9             | 169,600          | 37,000              | 21.8%        | 6,200                      | 18,731             | 25,200                 | 0                  | 14.50                     |
| Prague 10            | 147,400          | 8,900               | 6.0%         | 400                        | 4,021              | 0                      | 0                  | 14.50                     |
| <b>PRAGUE TOTALS</b> | <b>3,750,600</b> | <b>315,300</b>      | <b>8.4%</b>  | <b>135,600</b>             | <b>351,589</b>     | <b>25,200</b>          | <b>179,800</b>     | <b>24.00</b>              |

KEY LEASE TRANSACTIONS Q1 2022

| PROPERTY     | SUBMARKET | TENANT             | SIZE (SQ M) | TYPE          |
|--------------|-----------|--------------------|-------------|---------------|
| Palác Křižík | Prague 5  | Seznam.cz          | 14,800      | Renegotiation |
| Red Court    | Prague 8  | Czechoslovak Group | 7,100       | Pre-lease     |
| Riverview    | Prague 5  | MSD Czech Republic | 6,800       | Renegotiation |
| The Park     | Prague 4  | Honeywell          | 6,400       | Renegotiation |

KEY CONSTRUCTION COMPLETIONS YTD 2022

| PROPERTY                | SUBMARKET | MAJOR TENANT | SIZE (SQ M) | VACANCY RATE | OWNER/DEVELOPER |
|-------------------------|-----------|--------------|-------------|--------------|-----------------|
| Harfa Business Center B | Prague 9  | Confidential | 25,200      | 65%          | Kaprain         |

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