

	YoY Chg.	12-Mo. Forecast
8.1% Vacancy Rate	▲	▲
€ 27.00 Prime Rent, sqm/month	▲	▬
4.50% Prime Yield	▲	▬

(Overall, All Property Classes)

ECONOMIC INDICATORS Q3 2022

	YoY Chg.	12-Mo. Forecast
336K Prague office-based employment	▲	▲
2.0% Prague Unemployment Rate	▼	▼
2.4% Czech Republic Unemployment Rate	▼	▼

Source: Moody's Analytics

ECONOMY: Despite solid growth in Q1-Q3 2022, the Czech economy is heading for stagnation

The Czech economy recorded three consecutive quarters of solid growth, which was powered by an increase in investment and took place despite stagnant private and government consumption, as well as weak net exports. Nevertheless, Czechia may struggle to avoid recession due to multiple external shocks, including surging energy prices. As inflation reaches new multidecade highs, real disposable income may shrink by nearly one-tenth by the end of 2022, while investment activity will be confined by abnormally high interest rates.

Prague's economy is still able to persevere better than its regional peers. According to Moody's, office-using employment accounts for around 35% of Prague's jobs, almost twice the EU average. For businesses, the city provides the benefits of a central location, comparatively low costs and a qualified workforce, but labour shortages and rising costs contribute to its risk profile. Investment is upbeat and becoming more diverse, with Prague being the office destination for well-established IT, cybersecurity and start-up companies, as well as branches of prominent global firms.

SUPPLY AND DEMAND: The vacancy rate slightly decreased in Q3

Three office buildings with a cumulative area of 18,200 sq m were commissioned in Q3 2022, while from January, new office supply amounted to around 66,000 sq m. More than 190,000 sq m of offices are presently under construction, with a further injection of 57,000 sq m in Q4. New supply may reach 135,000 sq m in 2023, over 36% pre-let by tenants.

Although gross office take-up grew by 11% q-o-q, net take-up increased by 0.5%. In Q3 2022, relatively robust occupier demand combined with limited new supply resulted in the vacancy rate decreasing by 0.3 pp compared to the previous quarter. The most significant demand was traditionally recorded for offices in the districts of Prague 8, Prague 1, and Prague 4, which accounted for about 55% of the newly leased premises in the city.

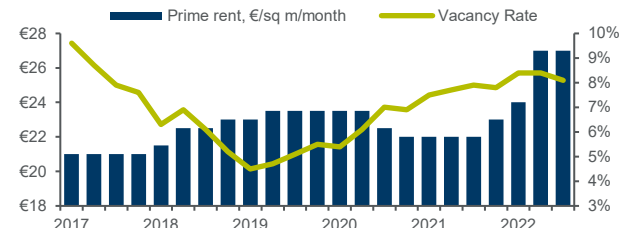
PRICING: Prime office rent remained unchanged, but its upward correction expected in Q4

After the increase of 13% in Q2 2022, during Q3 prime rents were stable. In view of the evident shortage of quality and well-located office space in Prague, prime rents are forecast to grow to € 30.00/sq m/month. At the same time, the price gap keeps widening between the office schemes, subject to their age, quality, and location attributes.

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	532,500	46,000	8.6%	33,000	69,600	9,600	37,200	27.00
Prague 2	130,100	9,800	7.5%	700	5,800	0	0	18.00
Prague 3	123,500	31,300	25.3%	4,900	9,300	0	0	16.50
Prague 4	968,400	66,300	6.9%	22,000	95,700	0	21,700	17.50
Prague 5	638,800	46,000	7.2%	14,900	61,800	7,400	36,500	17.00
Prague 6	217,300	19,300	8.9%	10,600	16,500	0	0	16.50
Prague 7	244,800	14,100	5.8%	9,300	16,300	0	32,300	15.50
Prague 8	623,800	33,500	5.4%	33,600	96,000	23,900	24,500	17.00
Prague 9	169,600	30,200	17.8%	8,600	23,900	25,200	11,100	14.75
Prague 10	147,400	11,500	7.8%	200	1,600	0	27,900	15.00
PRAGUE TOTALS	3,796,200	308,000	8.1%	137,800	396,500	66,100	191,200	27.00

KEY LEASE TRANSACTIONS Q3 2022

PROPERTY	SUBMARKET	TENANT	SIZE (SQ M)	TYPE
KPMG Office Centre	Prague 8	KPMG	11,000	Renegotiation
Masaryčka CBD I	Prague 1	Fio Banka	5,400	Pre-lease
Filadelfie, Brumlovka	Prague 4	Škoda Auto	4,900	Renegotiation & expansion
AFI City	Prague 9	Škoda Auto	4,700	New occupation
Palác Archa	Prague 1	ČSOB	3,800	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
DOCK IN FIVE	Prague 8	confidential	20,500	44%	Crestyl
VIA UNA	Prague 1	confidential	9,600	98%	S+B Gruppe

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