

YoY Chg. 12-Mo. Forecast

7.50%

Vacancy Rate



€ 28.50

Prime Rent, sqm/month



5.00%

Prime Yield



(Overall, All Property Classes)

ECONOMIC INDICATORS Q1 2023

YoY Chg. 12-Mo. Forecast

360K

Prague office-based employment



1.7%

Prague Unemployment Rate



2.3%

Czech Republic Unemployment Rate



Source: Moody's Analytics

ECONOMY: An outright recession is unlikely, but challenges persist

In 2022, the Czech economy saw two consecutive quarters of mild contraction due to a decrease in private consumption, resulting from a decline in real disposable income because of the surge in prices of goods and services. At the same time, the fall in GDP was partly offset by higher government consumption and net exports. Additionally, the inflation rate has been finally decreasing. Despite the economic slowdown, the labour market in Czechia has remained relatively resilient, with one of the lowest unemployment rates in the EU.

Moody's Analytics predicts challenges for Prague's economy in H1 2023, but it is expected to fare better than its regional peers. Although hiring may slow down, massive layoffs and payroll reductions are unlikely. Also, Prague has attracted well-established IT, cybersecurity, and startup companies, as well as branches of global firms. Its office-using employment accounts for 35% of jobs in the city, almost twice the EU average.

SUPPLY AND DEMAND: Active occupier demand combined with low supply keeps vacancy down

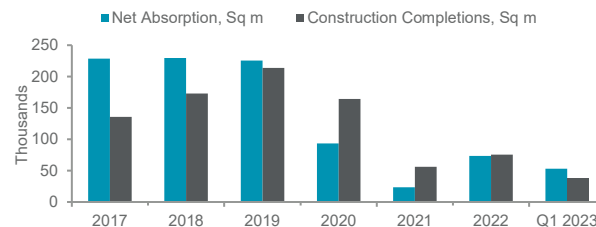
In Q1 2023, the new supply was around 38,000 sq m, representing an increase of 45% compared to Q1 previous year and exceeding the 5-year average. During the quarter, three office buildings were delivered within Port7 by Skanska, as well as Red Court by J&T Real Estate, which upon completion, was acquired by BlackBird Real Estate. Although no new office project broke its ground during the past 9 months, around 145,000 sq m of offices are currently under construction in Prague, of which 90,000 sq m are planned for delivery across 9 buildings by the end of 2023.

In Q1 2023, gross take-up reached 137,800 sq m, with 45% consisting of lease renegotiations but also comprising 14% of pre-leases. Net absorption exceeded 53,000 sq m in Q1 2023, the highest quarterly figure since Q2 2020. Primary vacancy reached 7.5%, softening by 75 bp over the quarter, and is projected to remain single digit by the year-end.

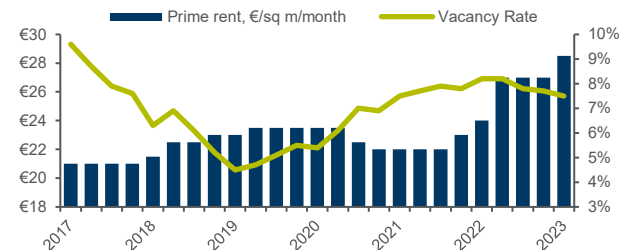
PRICING: Prime office rent further increased in Q1 2022, nearing its peak level

During Q1 2023, prime office rents continued to rise, driven by the construction of prime office schemes in central Prague and their popularity among occupiers. While total occupancy costs have risen significantly over the past 12 months, they are not expected to experience significant further increases in the short term.

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	42,900	8.0%	8,200	8,200	0	37,200	28.50
Prague 2	130,600	9,300	7.1%	5,200	5,200	0	0	18.50
Prague 3	122,200	26,500	21.6%	11,600	11,600	0	0	16.50
Prague 4	971,200	56,400	5.8%	22,700	22,700	0	21,700	18.00
Prague 5	647,000	52,100	8.1%	26,400	26,400	0	27,300	17.80
Prague 6	217,300	13,900	6.4%	6,500	6,500	0	0	16.50
Prague 7	275,700	27,900	10.1%	15,500	15,500	30,900	1,400	16.00
Prague 8	631,500	26,600	4.2%	29,500	29,500	7,100	17,400	18.50
Prague 9	170,600	24,300	14.3%	8,400	8,400	0	11,100	15.00
Prague 10	151,400	9,200	6.1%	3,800	3,800	0	28,900	15.50
PRAGUE TOTALS	3,853,300	289,100	7.5%	137,800	137,800	38,000	145,000	28.50

KEY LEASE TRANSACTIONS Q1 2023

PROPERTY	SUBMARKET	TENANT	SIZE (SQ M)	TYPE
Rustonka R1	Prague 8	Amazon	11,800	Renegotiation
Visionary	Prague 7	Accenture Services	5,700	Renegotiation
BesNet Centrum Alpha	Prague 4	confidential	4,300	Renegotiation & expansion
Aviatica	Prague 5	LEGO Production	4,000	New occupation
River Garden II & III	Prague 8	Accolade Technologies	970	Sublease

KEY CONSTRUCTION COMPLETIONS Q1 2023

PROPERTY	SUBMARKET	MAJOR TENANTS	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

MARIE BALÁČOVÁ

Head of Data & Analytics

+420 605 440 693 / marie.balacova@cushwake.com

RADKA NOVAK

Head of Office Agency, CEE

+420 602 249 119 / radka.novak@cushwake.com

cushmanwakefield.com

A CUSHMAN & WAKEFIELD RESEARCH PUBLICATION

Cushman & Wakefield (NYSE: CWK) is a leading global real estate services firm that delivers exceptional value for real estate occupiers and owners. Cushman & Wakefield is among the largest real estate services firms with approximately 50,000 employees in over 400 offices and approximately 60 countries. In 2021, the firm had revenue of \$9.4 billion across core services of property, facilities and project management, leasing, capital markets, and valuation and other services. To learn more, visit www.cushmanwakefield.com or follow @CushWake on Twitter.

©2023 Cushman & Wakefield. All rights reserved. The information contained within this report is gathered from multiple sources believed to be reliable. The information may contain errors or omissions and is presented without any warranty or representations as to its accuracy.