

8.0%

Vacancy Rate

YoY Chg.



12-Mo. Forecast



€22.00

Prime Rent, Sq m/month



4.0%

Prime Yield



(Overall, All Property Classes)

ECONOMIC INDICATORS Q3 2021

332K

Prague office-based employment

YoY Chg.



12-Mo. Forecast



2.1%

Prague Unemployment Rate



2.6%

Czech Republic Unemployment Rate



Source: Moody's Analytics

ECONOMY: The way to recovery hampered by supply chain problems and rising inflation

Czechia's economy is on its way to recovery from the pandemic-induced recession. After a record-breaking contraction which continued into the spring because of a strong third wave of COVID-19, the economy is set to recover to its pre-pandemic levels by the end of this year. However, infection rates are on the rise again and vaccine coverage still lags the EU average across age groups, while industry continues to be hampered by supply chain disruptions and high energy prices. This leads to a revised GDP growth forecast of 2.6% for 2021 and 5.4% for 2022 according to Moody's Analytics. Domestic recovery and global supply-chain problems pushed inflation above 3%, which prompted the central bank to raise its policy rates several times, and more hikes are coming this year.

SUPPLY AND DEMAND: Market activity is healthy, downsizing eased and inflow of sublease space halted

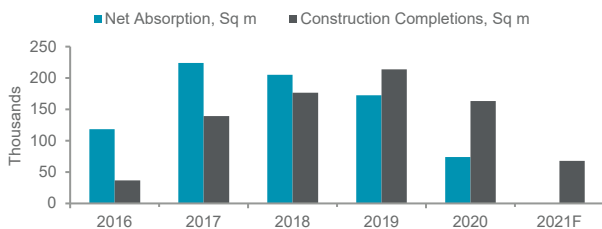
Only about 53 thousand sq of new office area were delivered to the market year-to-date, leading to the lowest annual supply in 2021 since 2016. The pace of new construction may slow down slightly in the coming years, mainly because of the drastically high construction costs. However, construction activity recently increased, and the pipeline for 2022 and 2023 will be substantial, especially in the submarkets of Karlín and the city centre.

The leasing activity in Q3 increased by 17% q-o-q, although the annual demand will probably not reach the 10-year average. The drop in GDP growth caused by the supply chain and the consequent automotive industry crisis may further affect the market. The number of relocations will also be influenced by the historically highest fit-out costs accompanied by higher rental expectations from the developers. Vacancy rate reached 8.0% at the end of Q3, growing slower than expected and still relatively low compared to other cities in the region.

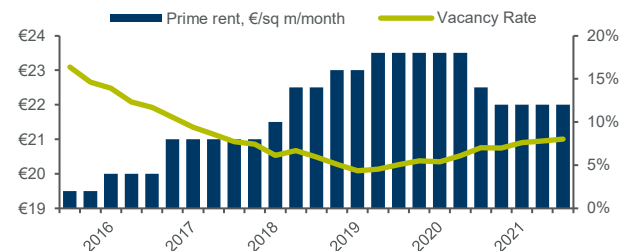
PRICING: Prime headline rents stable, with possible growth in medium-term

The construction and fit-out costs have been increasing fast recently, which will eventually have to be reflected in the growing rental levels. In the medium-term, rental growth can therefore be expected, especially in prime locations.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & PRIMERENT



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	524,529	35,887	6.8%	11,210	37,402	1,496	40,429	22.00
Prague 2	128,978	4,877	3.8%	856	3,083	-	2,200	18.50
Prague 3	121,818	10,496	8.6%	3,012	12,745	-	1,718	17.00
Prague 4	964,994	73,963	7.7%	195	4,311	2,000	-	17.50
Prague 5	633,592	59,356	9.4%	12,867	61,304	1,690	41,932	16.25
Prague 6	217,253	25,113	11.6%	22,714	53,840	25,384	-	16.00
Prague 7	244,839	12,418	5.1%	12,697	20,918	3,531	31,469	15.00
Prague 8	599,930	46,922	7.8%	7,104	28,355	20,627	30,709	16.25
Prague 9	144,357	20,063	13.9%	18,644	48,333	-	24,352	13.30
Prague 10	147,420	9,331	6.3%	14,389	15,698	-	-	12.00
PRAGUE TOTALS	3,727,709	298,425	8.0%	103,688	285,991	54,728	172,809	€ 22.00

KEY LEASE TRANSACTIONS Q3 2021

PROPERTY	SUBMARKET	TENANT	SIZE (SQ M)	TYPE
Zlatý Anděl	Prague 5	Nationale Nederlanden	6,000	Renegotiation
Hadovka Office Park	Prague 6	Aeskulab	3,500	Renegotiation
Balabenka Office Building	Prague 9	Zásilkovna	3,300	New occupation
Harfa Business Center - B	Prague 9	Confidential	3,100	Pre-completion

KEY CONSTRUCTION COMPLETIONS 2021

PROPERTY	SUBMARKET	MAJOR TENANT	SIZE (SQ M)	VACANCY RATE	OWNER/DEVELOPER
Bořislavka	Prague 6	Undisclosed	25,400	8%	KKCG
Mississippi House	Prague 8	Adastra	13,300	44%	CA Immo
Missouri Park	Prague 8	Allen&Overy	7,300	60%	CA Immo

Source: Prague Research Forum, Cushman & Wakefield

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