

YoY Chg. 12-Mo. Forecast

7.8%

Vacancy Rate



€23.00

Prime Rent, Sq m/month



4.0%

Prime Yield



(Overall, All Property Classes)

ECONOMIC INDICATORS Q4 2021

330K

Prague office-based employment



1.9%

Prague Unemployment Rate



2.6%

Czech Republic Unemployment Rate



Source: Moody's Analytics

ECONOMY: The recovery of the Czech economy is proceeding slower than expected

The rebound of the Czech economy from the pandemic-induced recession was not as strong as expected, with quarterly increases well below 2%. The primary drag in expenditures was net exports, which decreased dramatically, so much so that they turned negative for the first time in almost two decades. This is a reflection of global supply-side issues, which have weighed on the industrial sector and especially the auto sector, which is extensive and firmly focused on exports. Global factors have also played a significant role in the recent spike in inflation, which reached nearly 7% in Q4, but domestic price pressures are also substantial. The central bank has responded with rapid tightening, increasing the policy rates by 3.0 percentage points since August. The labour market in the Czech Republic remained relatively healthy during the worst of the pandemic. As a result, the unemployment rate increased by only a tiny amount and is still the lowest in the EU.

SUPPLY AND DEMAND: The demand revived in the second year of the pandemic

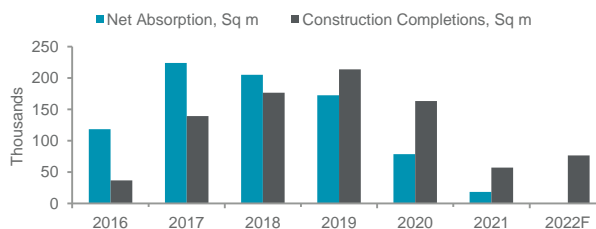
The office new supply was the lowest in 2021 since the last five years, as the ongoing pandemic forced both office developers and tenants to postpone their decisions. The development activity had been negatively affected before the Covid-19 crisis due to the rising construction costs, and recently the sector has been facing a severe lack of workers. As a result, the pipeline for 2022 remains below average, while most of the projects currently under construction should be completed in 2023.

Demand for offices increased by 6% y-o-y, although it keeps below the pre-pandemic level. The period of extensive work from home seems to be over, as companies realize the importance of an office as a workspace. Many firms also left the strategy of sub-leasing the free space within their offices. The vacancy rate growth halted in the end of 2021, but it remains relatively high.

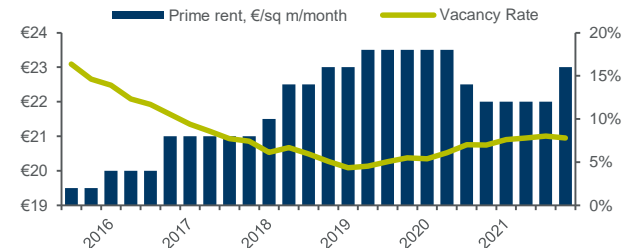
PRICING: Rental increase accompanies the growing demand for offices

The prime headline rents reached €23.00 per sq m per month in the city centre at the end of 2021. They kept stable in the inner-city locations (€16.00) but decreased slightly in the outer city (€13.90). Rising construction costs are also reflected in fit-out contributions and other incentives.

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	524,124	38,351	7.3%	14,712	51,769	1,496	37,557	23.00
Prague 2	128,978	9,766	7.6%	2,592	15,449			18.50
Prague 3	123,536	18,430	14.9%	2,030	6,341	1,718		17.00
Prague 4	964,994	71,372	7.4%	26,255	85,782	2,000	21,500	17.50
Prague 5	635,249	51,205	8.1%	18,924	67,262	2,000	42,959	16.25
Prague 6	217,253	21,119	9.7%	6,379	26,725	25,384	-	16.00
Prague 7	244,839	11,769	4.8%	11,326	39,681	3,531	31,439	15.00
Prague 8	599,930	41,045	6.8%	20,656	71,297	20,627	38,864	16.25
Prague 9	144,357	21,004	14.6%	3,033	18,731		24,352	13.30
Prague 10	147,420	8,600	5.8%	937	4,021		-	12.00
PRAGUE TOTALS	3,730,679	292,661	7.8%	106,844	387,058	56,756	196,671	23.00

KEY LEASE TRANSACTIONS Q4 2021

PROPERTY	SUBMARKET	TENANT	SIZE (SQ M)	TYPE
BB Centrum office Park (villas)	Prague 4	Thales DIS Czech Republic	4,400	Renegotiation
PORT 7 - A	Prague 7	Direct Pojišťovna	4,200	Pre-lease
PORT 7 - E	Prague 7	Scott.Weber Workspace	3,800	Pre-lease
River Garden II & III	Prague 8	STRV	3,500	Renegotiation

KEY CONSTRUCTION COMPLETIONS 2021

PROPERTY	SUBMARKET	MAJOR TENANT	SIZE (SQ M)	VACANCY RATE	OWNER/DEVELOPER
Bořislavka	Prague 6	Sazka	25,400	0%	KKCG
Mississippi House	Prague 8	Adastra	13,300	18%	CA Immo
Missouri Park	Prague 8	Allen&Overy	7,300	60%	CA Immo

Source: Prague Research Forum, Cushman & Wakefield

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