

YoY Chg. 12-Mo. Forecast

**8.4%**

Vacancy Rate



**€ 27.00**

Prime Rent, sqm/month



**4.50%**

Prime Yield



(Overall, All Property Classes)

## ECONOMIC INDICATORS Q2 2022

**338K**

Prague office-based employment



**1.5%**

Prague Unemployment Rate



**2.4%**

Czech Republic Unemployment Rate



Source: Moody's Analytics

## ECONOMY: Recovery of the Czech economy continues, with high inflation and growing interest rates

The Czech economy grew in the first quarter, but the drag from last summer persists, and the output level remains below the pre-pandemic peak. Despite the problems of industrial production, the unemployment rate is holding steady and is retreating further after an increase in the first quarter. Inflation breached the single digits in the first quarter, coming in at 14.6% year over year in June. The energy was the most significant contributor to the high inflation rate. After holding out in March and April, the central bank again tightened its monetary belt by increasing the policy rate to 5.75% in May and 7.00% in June.

Prague's economy will expand at an above-average pace for the rest of 2022. The office-based sector will remain the largest source of support for high-wage jobs. While tourism will struggle, the arrival of thousands of Ukrainian refugees is expected to benefit leisure/hospitality establishments within the city.

## SUPPLY AND DEMAND: The vacancy rate remained stable in Q2

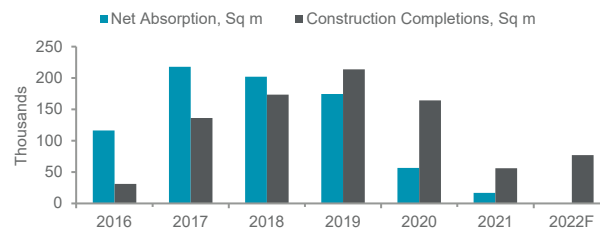
In the second quarter of 2022, two office buildings with a total area of 22,000 sq m were completed. Another 55,000 sq m of office space has commenced construction, almost double the average of the pre-pandemic period 2017 - 2019. Construction of at least 170,000 sq m will begin in the remaining half of 2022 and during 2023, representing healthy but still reserved development activity in the Prague office market, facing disrupted supply chains and high construction costs..

Although net take-up increased by 8% q-o-q, with gross take-up falling by 8%, both figures are slightly above the pre-pandemic average. As a result, the vacancy rate remained at the same 8.4% level as in the previous quarter. The most significant demand was traditionally for offices in the Prague 8, Prague 1 and Prague 4 districts, which accounted for about 80% of the newly leased premises.

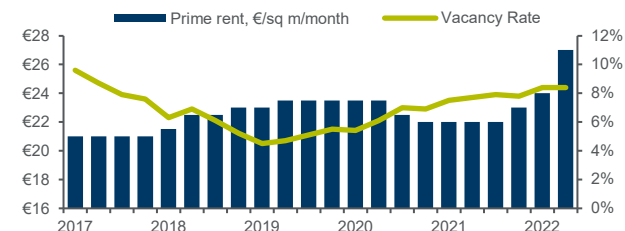
## PRICING: Rental growth in planned projects continues

Prime rents in new projects in the city centre have risen by 13% and are expected to increase even further. However, the rental growth in existing prime projects is much more moderate in projects outside the wider city centre. Thus, the price gap between planned and existing projects keeps widening.

## 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	32,200	6.2%	20,600	36,500	0	46,200	27.00
Prague 2	127,300	10,400	8.2%	2,200	5,100	0	0	18.00
Prague 3	123,500	32,100	26.0%	1,500	4,400	0	0	16.50
Prague 4	965,200	75,800	7.9%	49,700	74,400	0	21,700	17.50
Prague 5	633,500	49,300	7.8%	12,800	46,900	2,200	40,800	17.00
Prague 6	217,300	21,500	9.9%	2,300	5,900	0	0	16.50
Prague 7	244,800	10,700	4.4%	1,600	7,000	0	32,900	15.50
Prague 8	620,400	36,900	6.0%	22,800	61,800	20,500	27,600	17.00
Prague 9	169,600	38,000	22.4%	9,100	15,200	25,200	19,300	14.75
Prague 10	147,400	9,800	6.6%	1,000	1,500	0	27,200	15.00
<b>PRAGUE TOTALS</b>	<b>3,771,700</b>	<b>316,700</b>	<b>8.4%</b>	<b>123,700</b>	<b>258,700</b>	<b>47,900</b>	<b>215,700</b>	<b>27.00</b>

### KEY LEASE TRANSACTIONS Q2 2022

PROPERTY	SUBMARKET	TENANT	SIZE (SQ M)	TYPE
Roztyly Plaza	Prague 4	SCS Software	9,700	Pre-lease
BesNet Centrum	Prague 4	Confidential	4,600	Renegotiation & expansion
Brumlovka - Filadelfie	Prague 4	FLEKSI	3,800	New occupation
DOCK IN FIVE	Prague 8	Confidential	3,500	New occupation
Prosek Point B	Prague 9	Medtronic	3,300	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
Košická brána	Prague 5	RS Development	2,200	62%	RS Development

Source: Prague Research Forum, Cushman & Wakefield

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