

YoY Chg. 12-Mo. Forecast

**7.72%**

Vacancy Rate



**€ 27.00**

Prime Rent, sqm/month



**4.50%**

Prime Yield



(Overall, All Property Classes)

## ECONOMIC INDICATORS Q4 2022

YoY Chg. 12-Mo. Forecast

**340K**

Prague office-based employment



**1.4%**

Prague Unemployment Rate



**2.3%**

Czech Republic Unemployment Rate



Source: Moody's Analytics

## ECONOMY: After several quarters of solid growth, a mild recession is likely in Q1

Czechia's economy recorded several quarters of solid growth, powered by increased investment expenditures. Industrial production and export sharply increased in recent months, counterbalancing the weakening of the rest of the economy, driven by high energy costs, and softening external demand. Nevertheless, Moody's Analytics project that Czechia's economy is likely to head into a mild recession in Q1 in line with the developments in the wider Eurozone. Although inflation passed its multi-decade peak and is likely to ease off soon, price increases are broad-based, leading to a drop in disposable income and a decline in consumer spending. Investment activity will be confined by interest rates expected to remain at elevated levels but with no further hikes expected.

Prague's economy continues to perform well. According to Moody's, office-using employment makes up 35% of Prague's jobs, almost twice the EU average. For office occupiers, Prague provides the benefits of a central location, comparatively low business costs, and a qualified workforce. Still, labour shortages may hinder the city's reputation for competitive labour costs.

## SUPPLY AND DEMAND: Over half a million sq m of office space leased in 2022

The annual supply reached 75,300 sq m in 2022, representing an increase of 34% compared to 2021, albeit still below the 5-year average. In Q4 2022, the business centre within the Smíchov City project was the only new office property completed. Although no new construction started in H2 2022, the development activity in the sector remains relatively healthy. Over 183,000 sq m of offices is currently under construction, with more than 100,000 sq m potentially starting in 2023.

In 2022, gross and net take-up increased by 42% each compared to the previous year. The gross demand amounted to 151,800 sq m in Q4 2022, which, combined with scarce new supply, led to a decrease in vacancy by 0.1 pp over the quarter. At the end of 2022, around 293,600 sq m of offices were vacant. In absolute terms, the largest space availability was registered in Prague 4 (60,900 sq m), Prague 5 (54,400 sq m), and Prague 1 (40,800 sq m).

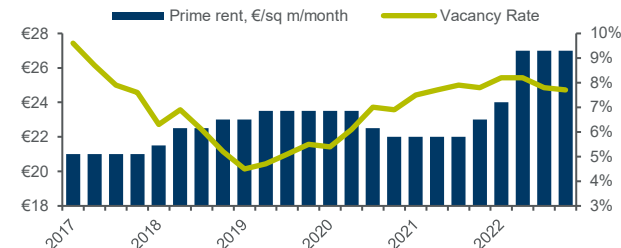
## PRICING: Prime office rents stabilised towards the end of 2022

At the end of 2022, the prime headline office rents remained at € 27.00/sqm/month. During the year, the rental level escalated mainly due to the ongoing construction of prime office schemes in the central areas of Prague, which are particularly popular among office occupiers in the city. The year 2023 may see further rental growth, but it is expected to be rather moderate.

## 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	40,800	7.7%	20,100	86,200	9,500	37,200	27.00
Prague 2	130,600	10,700	8.2%	700	6,500	0	0	18.00
Prague 3	122,200	29,100	23.8%	2,600	11,900	0	0	16.50
Prague 4	968,000	60,900	6.3%	63,400	163,900	0	21,700	17.50
Prague 5	647,000	54,400	8.4%	9,700	70,100	15,700	28,300	17.50
Prague 6	217,300	16,100	7.4%	9,700	26,200	0	0	16.50
Prague 7	244,800	12,300	5.0%	3,900	20,300	0	32,300	15.50
Prague 8	624,400	29,700	4.8%	33,600	128,600	23,900	24,500	17.50
Prague 9	170,500	30,000	17.6%	5,800	29,600	26,200	11,100	14.50
Prague 10	147,400	9,600	6.5%	2,300	3,400	0	28,900	15.00
<b>PRAGUE TOTALS</b>	<b>3,804,700</b>	<b>293,600</b>	<b>7.7%</b>	<b>151,800</b>	<b>546,700</b>	<b>75,300</b>	<b>184,000</b>	<b>27.00</b>

### KEY LEASE TRANSACTIONS Q4 2022

PROPERTY	SUBMARKET	TENANT	SIZE (SQ M)	TYPE
Brumlovka Gamma	Prague 4	O2	29,000	Renegotiation
Corso Court	Prague 8	Expedia	7,300	Renegotiation
Brumlovka Beta	Prague 4	Generali	5,500	New occupation
City Empiria	Prague 4	Confidential	4,100	Renegotiation & expansion
IBC	Prague 8	STMicroelectronics Design and Application	3,600	Renegotiation & expansion

### KEY CONSTRUCTION COMPLETIONS 2022

PROPERTY	SUBMARKET	MAJOR TENANT	SIZE (SQ M)	OWNER/DEVELOPER
Harfa Business Centre B	Prague 9	SOTIO Biotech	26,200	Kaprain
DOCK IN FIVE	Prague 8	Envista	20,500	Crestyl
VIA UNA	Prague 1	Confidential	9,600	S+B Gruppe
Smíchov City Na Křižácké (SM1)	Prague 5	KB	8,300	Sekyra Group / Ungelt

Source: Prague Research Forum, Cushman & Wakefield

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