

# MARKETBEAT PRAGUE



Office Q1 2020

YoY Chg 12-Mo. Forecast

**5.4%**  
Vacancy Rate ▲ ▲

**€23.50**  
Prime Rent, Sq m/month ▲ ▼

**3.90%**  
Prime Yield ▼ ▲

(Overall, All Property Classes)  
Source: Prague Research Forum

## ECONOMIC INDICATORS Q1 2020

YoY Chg 12-Mo. Forecast

**970K**  
Prague Employment ▲ ▼

**2.0%**  
Prague Unemployment Rate ▼ ▲

**3.0%**  
Czech Republic Unemployment Rate ▼ ▲

Source: Oxford Economics,  
Czech Ministry of Labour and  
Social Affairs

## ECONOMY: The economic cost of the lockdown will be severe

The GDP forecast for 2020 had further declined with a fall of 1.7% as the severe containment measures take their toll on the economy in H1. We still expect a strong recovery towards the end of the year once the lockdown is gradually lifted, with 2021 growth now forecast at 5.3%. However, some permanent output losses seem inevitable – all sectors of the economy are being hit and some may not be able to fully recoup their losses.

Severe containment measures appear to show slow but apparent signs of effectiveness as the curve representing the number of COVID-19 cases in the Czech Republic has started to flatten. Consequently, the government has announced a gradual easing of the lockdown all the way through June. This means that the return to normalcy is unlikely to come soon. Looking forward, early indications from China show that industry can be quick to rebound after lockdown is lifted. On the investment side, we expect most plans to be delayed rather than lost, but the prevailing uncertainty will exacerbate the output shock in the first half of this year.

## SUPPLY AND DEMAND: Occupiers' activity decline intensified by COVID-19 crisis

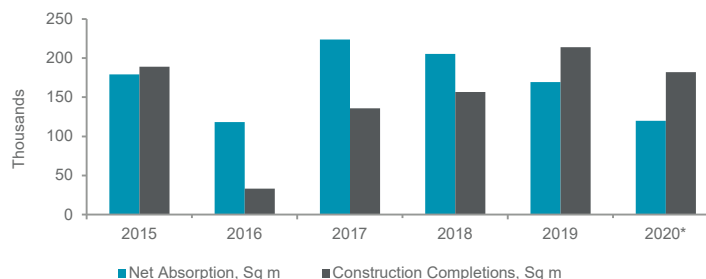
Despite current situation, ongoing development projects are proceeding and so far, no substantial delays have been reported resulting in more than 150,000 sq m of office space expected to be completed by the end of 2020. At the same time, permit processes have slowed down and some planned projects might be delayed due to financial issues.

After the spike in Q4 2019, office demand continues to decline and the downward development will likely be intensified by the overall economic crisis. Companies have adapted to home office and they will now start to try to reduce the negative affects of the lock-down measures which have been gradually released. Flexible space and short-term leases might be a solution for many tenants.

## PRICING: Rent levels remain stable, but downward pressure expected soon

With the challenging market conditions, landlords start to offer more favourable conditions and incentives for tenants. Taking into account the stable new supply of office space expected to be delivered in the following 2 years, successive rental decline seems inevitable.

## SPACE DEMAND / DELIVERIES



## OVERALL VACANCY & ASKING 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 (LOCAL CURRENCY)
Prague 1	533,150	17,598	3.3%	10,361	10,361	0	24,955	23.50
Prague 2	143,043	2,908	2.0%	2,283	2,283	11,200	0	18.50
Prague 3	121,818	4,942	4.1%	1,868	1,868	0	1,718	17.00
Prague 4	953,708	44,025	4.6%	14,726	14,726	0	43,492	17.50
Prague 5	651,638	53,274	8.2%	12,417	12,417	9,600	1,690	16.50
Prague 6	195,517	26,361	13.5%	1,299	1,299	0	24,300	16.00
Prague 7	218,899	17,150	7.8%	4,064	4,064	0	27,795	15.00
Prague 8	541,584	17,464	3.2%	20,287	20,287	0	80,231	16.50
Prague 9	155,718	3,641	2.3%	2,309	2,309	0	49,519	13.30
Prague 10	159,506	9,915	6.2%	0	0	0	0	12.00
<b>PRAGUE TOTALS</b>	<b>3,674,580</b>	<b>197,279</b>	<b>5.4%</b>	<b>69,614</b>	<b>69,614</b>	<b>20,800</b>	<b>253,700</b>	<b>23.50</b>

## KEY LEASE TRANSACTIONS Q1 2020

PROPERTY	SUBMARKET	TENANT	SIZE (SQ M)	TYPE
DOCK IN FOUR	Prague 8	Wrike Czech	5,256	pre-lease
The Park - building 6	Prague 4	Accenture Central Europe	4,173	renegotiation
Pekařská 16	Prague 5	Undisclosed	2,970	new occupation
DOCK IN THREE	Prague 8	Undisclosed	2,754	new occupation

## KEY SALES TRANSACTIONS Q1 2020

PROPERTY	SUBMARKET	SELLER / BUYER	SQ M
Argo Alpha	Prague 6	Peaksid Capital Advisors/BPD Development	12,600
Radio Free Europe	Prague 10	L88 Investments/Undisclosed	21,300

## KEY CONSTRUCTION COMPLETIONS YTD 2020

PROPERTY	SUBMARKET	MAJOR TENANT	SIZE (SQ M)	OWNER/DEVELOPER
Churchill	Prague 2	Fortuna Game	11,200	Penta
Kotelna Park (Phase II)	Prague 5	n/a	9,600	Red Group

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