

7.0%

Vacancy Rate

YoY Chg.



12-Mo. Forecast



€22.50

Prime Rent, Sq m/month



3.90%

Prime Yield



(Overall, All Property Classes)

ECONOMIC INDICATORS Q3 2020

951K

Prague Employment 2019

YoY Chg.



12-Mo. Forecast



3.4%

Prague Unemployment Rate



3.8%

Czech Republic Unemployment Rate



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

ECONOMY: GDP growth forecast for 2020 cut to a fall of 6.3%

The second wave of Covid-19 infections has hit the Czech Republic, forcing the government to declare a state of emergency and re-impose stringent containment measures. The economic cost of Covid has been severe, with GDP falling 11.5% in H1 overall. The economy has been recovering since Q2, but the pace of growth has slowed notably, and the recovery remains uneven, with social consumption services lagging behind retail. And these sectors will be hit again by the further country lockdown. GDP growth forecast for 2021 remains at 5.7% with the downside risks as the second wave mounts.

SUPPLY AND DEMAND: Several new projects commenced, but construction activity declines

154,800 sq m were under construction at the end of September, about 26,000 sq m of which should be completed by the end of 2020. Pipeline is going to slow down further as some developers are changing their construction strategy from speculative to pre-lease based, preventing the market from overbuilding. Recent start of the initial phase of one of the biggest brownfield projects in Prague, Smíchov City, shows that other developers continue in their construction activity without any significant delays.

Companies are careful with their moving or expansion plans and certainly try to optimize their costs. With the experience of more extensive working from home during the first wave of the pandemic, employers are now considering more flexible working schemes together with a higher number of shared desks resulting in lower demand for office space in general. This is evident from the lowest quarterly net demand in the last decade together with the growth of the available space for sublease. Vacancy rate increased by 0.9 pp in the last quarter, but kept relatively low, as we recorded a high volume of renegotiations and new supply was reasonable. However, our models predict that the vacancy rate could continue to grow until 2022 and get close to 10%.

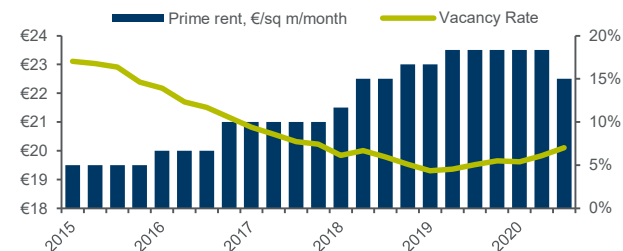
PRICING: Rental rates started to decline, with a further downward pressure expected to come

Office rent in Prague was lowered by 50 cents in the last quarter due to the worsening pandemic situation and slowdown of the overall activity on the market. New leasing agreements are also often accompanied with various incentives. Although in a short to medium term, further rental decline can be expected as we see the growing vacancy, the Prague office market is stable and the major office areas will keep their value in the long term.

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 (€/SQ M/MONTH)
Prague 1	523,033	34,540	6.60%	7,347	35,766	14,100	10,822	22.50
Prague 2	139,943	5,135	3.67%	1,459	4,384	11,200	0	18.50
Prague 3	121,818	6,747	5.54%	97	4,383	0	1,718	17.00
Prague 4	966,516	52,191	5.40%	38,821	72,219	36,176	2,000	17.50
Prague 5	650,769	59,259	9.11%	9,124	31,687	11,520	12,478	16.50
Prague 6	221,594	26,360	13.74%	3,785	9,837	0	25,635	16.00
Prague 7	218,801	16,230	7.32%	6,517	22,908	2,793	24,691	15.00
Prague 8	579,303	29,673	5.12%	17,679	46,677	37,719	46,733	16.75
Prague 9	172,992	19,876	11.49%	1,319	6,068	18,369	30,680	13.30
Prague 10	159,506	10,991	6.89%	30	361	0	0	12.00
PRAGUE TOTALS	3,727,335	261,003	7.0%	86,178	234,290	131,877	154,757	22.50

KEY LEASE TRANSACTIONS Q3 2020

PROPERTY	SUBMARKET	TENANT	SIZE (SQ M)	TYPE
BB Centrum Filadelfie	Prague 4	Unicredit Bank	22,871	renegotiation
Kavčí Hory Office Park	Prague 4	Undisclosed	4,490	sub-lease
Florentinum	Prague 1	Bluelink International	3,190	renegotiation
Life Building C	Prague 4	Verizon	3,170	new occupation

KEY CONSTRUCTION COMPLETIONS YTD 2020

PROPERTY	SUBMARKET	MAJOR TENANT	SIZE (SQ M)	OWNER/DEVELOPER
DOCK IN FOUR	Prague 8	Wrike Czech	20,400	Crestyl
AFI City 1	Prague 9	n/a	15,900	AFI Europe
Parkview	Prague 4	IWG (Spaces)	15,300	Skanska
BB Centrum B	Prague 4	Undisclosed	15,300	Passerinvest
J&T HQ	Prague 8	J&T Bank	15,300	J&T

Source: Prague Research Forum, Cushman & Wakefield

MARIE BALÁČOVÁ

Head of Research

+420 234 603 740 / marie.balacova@cushwake.com

EVA LIŠOŇOVÁ

Research Analyst

+420 234 603 832 / eva.lisonova@cushwake.com

cushmanwakefield.com

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